Austria	Sch 20	Indonesia	Rp 3100	Philippines	Pes 20
Bahrain	Din 0.650	Israel	IS 3.50	Portugal	Esc 100
Belgium	BFr 45	Italy	L 1500	S. Arabia	Rls 6.00
Canada	C$1.00	Japan	Y 650	Singapore	S$ 4.10
Cyprus	C£0.75	Jordan	Fils 500	Spain	Pts 125
Denmark	DKr 8.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	E£1.00	Lebanon	£L 25.00	Sweden	SKr 7.00
Finland	Fmk 6.50	Luxembourg	LFr 45	Switzerland	SFr 2.20
France	FFr 6.50	Malaysia	Rs 4.25	Taiwan	NT $35
Germany	DM 2.20	Mexico	Pes. 300	Tunisia	Din 1.375
Greece	Dr 80	Morocco	Dh 6.50	Turkey	L 750
Hong Kong	HK$ 12	Netherlands	Fl 2.75	U.A.E.	Dh 6.50
India	Rup. 15	Norway	Nkr. 7.00	U.S.A.	$1.00

FINANCIAL TIMES

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Austria: election heightens uncertainty, Page 16

World news | Business summary

Pressure on Aquino after new murder

A veteran Philippines politician and known anti-Communist was assassinated and a large department store was bombed in continuing violence that has rocked Manila since the murder last week of Mr Rolando Olalia, a militant labour leader.

President Corazon Aquino adopted a tougher stance towards Communist rebels in what appeared to be a significant change of policy. She ordered the chief government negotiator in the peace talks to "produce a ceasefire within a month."

She has been under pressure from hardliners in the armed forces to set a deadline and prevent the rebels from consolidating their forces. Page 4

Renault case reward

French Interior Minister Charles Pasqua called on the public to help police find the killers of murdered Renault car chief Georges Besse. Officials announced a FFr 1m ($186,000) reward. Page 3

UK loses MI5 case

Britain lost its argument in the New South Wales Appeal Court against an order that it must produce confidential documents in its attempt to ban the memoirs of former MI5 counter-espionage agent Peter Wright. Pages 4 and 19

Private jails plan

The French Government approved controversial draft legislation to launch the building of private prisons, despite criticism by President Mitterrand. They are designed to ease chronic overcrowding in the state prison system. Page 2

Anger at Moro film

Italy's dominant Christian Democrat Party is angry at the film treatment of one of the most painful episodes in its recent history, the kidnapping and murder of Aldo Moro, the country's former premier. Page 2

Nato port's guests

Three warships of the Soviet Black Sea fleet and their commander-in-chief arrived in the Greek port of Piraeus for a four-day visit, believed to be their first to a Nato country.

Mafia rulers guilty

Eight men were convicted in New York of masterminding the operations of the Mafia there and found guilty of charges ranging from murder to extortion. They will be sentenced in January.

Afghan deadlock

United Nations-sponsored Afghan peace talks are deadlocked on the timing for withdrawal of Soviet troops, a Pakistani foreign ministry spokesman said in Islamabad.

Pope in Bangladesh

The Pope, beginning a six-nation tour in Bangladesh, made an appeal for global peace and economic development, saying man's very survival was under threat. He will travel to Singapore, Fiji, New Zealand, Australia and the Seychelles.

King's visit off

King Hassan of Morocco cancelled a visit to the European Parliament next month because the assembly could not give assurances that there would be no demonstrations against him either inside or outside the Strasbourg building.

Grenade attack

Two rocket-propelled grenades hit the fifth floor of the Beirut building housing Lebanon's Central Bank, injuring at least one person.

Bugatti fetches $8.1m

American pizza millionaire Thomas Monaghan, said he had bought a 1931 Bugatti for $8.1m, believed to be the highest price ever paid for a car.

Ferruzzi set for British Sugar deal

FERRUZZI, Italian food and agricultural group, is expected to sign a conditional agreement within the next two days to acquire a 70 per cent stake in British Sugar, the UK sugar beet monopoly. Page 18

UK Industry Secretary Paul Channon warned he would have power under the Financial Services Act to withdraw securities dealing licences for Japanese firms in London if reciprocal access were not granted to British firms in Japan. Page 18

WICKES, West Coast building products and retailing group, is expected to drop its $1.7bn agreed bid for Lear Siegler, Californian conglomerate, because it is having problems raising bank financing. Page 19

TOKYO: Late buying lifted prices marginally after they fell following the sharp overnight decline on Wall Street. The Nikkei average ended 10.28 higher at 17,283.81. Page 40

FIATALLIS and Hitachi announced a joint venture company to produce and market a new line of hydraulic excavators. Called Fiat-Hitachi Excavator, Fiat will own 49 per cent and Hitachi 51 per cent. Page 5

TOYOTA and Mazda confirmed that they have temporarily suspended car production in Malaysia because of the impact of the yen's appreciation and shrinking sales. Page 5

ST GOBAIN, French glass and packaging group and standard-bearer of the government's privatisation programme, increased its profit forecast to about FFr 1.9bn ($228m). Page 19

M & G, biggest UK unit trust group, had its offer for sale of 28m shares fully subscribed. Most applications for the £74m ($103.6m) offer will be fully met, said merchant bankers Kleinwort Benson. Page 26

COBALT: Prices soared by 25 per cent amid reports that the world's largest producers, Zaire and Zambia, had ended a price war and signed a price stabilisation pact. Prices jumped from £4.50 to £6 a pound in frenzied buying in London, New York and Continental Europe. Page 32

WALL STREET: The Dow Jones industrial average closed 9.42 up at 1,826.63. Page 40

LONDON: After falling sharply on worries about Wall Street, prices steadied towards the close. The FT-SE 100 index closed 13.2 lower at 1,604.3 and the FT Ordinary index lost 12.8 to 1,258.8. Page 40

GOLD rose $2 to $393.25 on the London bullion market. It also rose in Zurich to $393.25 from $390.95. Page 32

In New York the Comex December settlement was $388.5.

DOLLAR closed in New York at DM 2.0055; SFr 1.6705; FFr 6.5675 and Y162.35 after falling in London to DM 2.0075 (DM 2.0125); FFr 6.5750 (FFr 6.5900); SFr 1.6705 (SFr 1.6740), and to Y162.40 (Y162.70). On Bank of England figures the dollar's index fell to 110.9 from 111.2. Page 33

STERLING closed in New York at $1.41925 after falling in London to $1.4190 ($1.4225). It also fell to DM 2.8475 (DM 2.8650); FFr 9.3225 (FFr 9.3800); SFr 2.3675 (SFr 2.3825), and to Y230.25 (Y231.50). The pound's exchange rate index fell 0.2 to 68.0. Page 33

ROLLS-ROYCE of the UK and General Electric of the US are ending their revenue-sharing pact on the joint development and production of the Rolls' RB-211-535E4 and GE CF6-80C2 turbo-fan jet engines because of increasing competition between the two companies. Page 18

GRUNDIG, West German Electronics company that was floundering with heavy losses three years ago, expects to make a profit of at least DM 50m ($25m) in the current financial year to next March. Page 19

ERICSSON, Swedish telecommunications and electronics group, won an order worth SKr 150m ($21.8m) from the Indian Defence Ministry.

Moscow legalises private enterprise in service sector

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION yesterday legalised 29 different types of private enterprise in the most significant shift away from state control of the service sector of the economy since the Second World War.

The Soviet parliament meeting in Moscow approved a law effective from next May under which private activities carried on by individuals, including driving a taxi, house and car repair, tailoring and furniture making as well as most other forms of repair and servicing work are legalised.

The state is estimated to provide only half the demand for services in the Soviet Union, forcing people either to do without them or to rely on the black market.

Hiring of labour is not allowed, but otherwise the Government has evidently decided that legalisation and expansion of the private sector is necessary and poses no threat to public ownership.

Mr Ivan Gladky, chairman of the State Committee for Labour and Social Issues, introducing the law yesterday said that it was in keeping with socialist principles. He said the state had "not been meeting consumer demand for goods and services fully."

Mr Gladky said this was because of lack of capital investment in production of consumer goods and services, combined with lack of flexibility by the state organisations meant to provide them. He said individuals had supplemented the efforts of the state but there was no law regulating their activities.

The scope of the draft law, which comes into effect from May 1 1987, is wider than expected. In addition the state news agency Tass says that the list of 29 activities now permitted is not exhaustive and can be enlarged by local authorities where necessary. Permission to engage in private activities will also be in the hands of the local councils or Soviets.

The law also provides for a progressive tax on private earnings. At present the highest Soviet tax rate is 13 per cent, but there is no systematic progressive income tax.

Mr Gladky said there had been extensive discussion of the new law and that the Soviet Union was drawing on the experience of other socialist countries. He made no specific mention of Hungary and China, which have led experiments in free enterprise.

The difficulty facing the Government is to draw the dividing line between state and private activities. Economists advocating the new law have said that the legalisation of some private activities must be accompanied by a clamp on black marketeering and speculation.

An important provision in the new law is that it will allow people, as in Hungary, to hold more than one job. This means that somebody working in a factory is also "entitled to individual labour activity in their time off."

The law is unlikely to have an immediate impact in the Soviet Union because many of the activities now legalised already exist. Soviet specialists estimate that between 17m and 20m Soviets out of a total workforce of 129m are engaged in some form of private and hitherto illegal work, though almost invariably as a second job.

IMF ready to free loan package for Mexico

BY PETER MONTAGNON, EUROMARKET CORRESPONDENT, IN LONDON

THE International Monetary Fund yesterday announced that it was ready to implement its SDR 1.4bn ($1.68bn) loan package for Mexico agreed in the summer.

Its announcement ends weeks of uncertainty in the international banking community over whether creditors would endorse the latest multi-billion dollar debt rescue package for Mexico.

Yesterday, the Citibank-led committee of leading creditor banks confirmed to Mr Jacques de Larosiere, IMF managing director, that subscriptions to their own loan package for Mexico had reached 90 per cent of the $6bn total required.

The IMF had always regarded this level as critical if it were to activate its own lending programme which is central to the international rescue effort for Mexico.

The IMF decision came just as Mr Gustavo Petricioli, Mexico's Finance Minister, was beginning a major speech to the Mexican congress on the country's budget plans for 1987. It will come as a political boost both to the de la Madrid administration and to Mr James Baker, US Treasury Secretary, who, with Mr Paul Volcker, chairman of the Federal Reserve Board, had actively prompted the latest Mexican debt rescue scheme.

An immediate consequence of the IMF announcement is that Mexico, whose finances have been squeezed by the plunging oil price, will have access to fresh sources of foreign exchange, not only from the IMF itself but also from commercial banks and governments which raised a $1.5bn bridging loan for the country in August.

Only $850m of this loan has been drawn and the IMF announcement clears the main obstacle for drawings of the balance.

In anticipation of the IMF move, the World Bank announced on Tuesday night that it was also prepared to release $300m of the $500m trade development loan it has promised to Mexico as part of the package.

However, Mexico will only be able to draw on the $6bn loan from commercial banks once the remaining 10 per cent of subscriptions have been secured. This could still take several weeks as these are due to come from smaller creditor banks, which are among the most reluctant to contribute fresh money.

Given the tortuous negotiations undertaken by Mexico to secure the loan, many bankers say that it still cannot be regarded as signalling an unqualified success for the so-called Baker Plan for easing the debt crisis launched by the Treasury Secretary in Seoul last year.

The commercial bank package also includes a commitment to lend an additional $1.7bn if Mexican growth falters or oil prices collapse again, as well as easier terms on more than $50bn in existing debt.

Kodak withdraws from S.Africa

BY JIM JONES IN JOHANNESBURG

EASTMAN KODAK of the US, the world's largest manufacturer of photographic products, said yesterday that it is to stop all sales of its products in South Africa by April next year and will sell the entire assets of its South African operations, which employ about 560 people.

The action marks the first unequivocal withdrawal from South Africa by a major US company.

Under the terms of the withdrawal, no Kodak unit anywhere in the world will be permitted to supply products to South Africa after April 30, and the company will turn its South African assets over to the liquidator no later than the end of June.

The company said that the decision, which came after long and careful consideration, was prompted by the continuing depression in the South African economy.

"Our South African business has been affected negatively by weakness in the South African economy, and we have no doubt that the system of apartheid has played a major role in the economy's underperformance," Mr Colby Chandler, Kodak's chairman said yesterday.

"We had hoped that by now the signs in South Africa concerning plans to dismantle statutory apartheid would be clear. Unfortunately, we cannot see with any certainty a time when South Africa will be free from apartheid," Mr Chandler added.

Kodak is the latest in a series of major US companies to announce withdrawals from South Africa in protest against apartheid. Last month General Motors (GM), the world's largest motor manufacturer; IBM, the biggest mainframe computer maker; Honeywell, another computer manufacturer; and Warner Communications announced plans to divest their South African interests.

In the past 18 months over 70 other US companies, including Coca-Cola, Procter and Gamble and Baxter Travenol Laboratories have pulled out or said they plan to leave South Africa.

Kodak, headquartered in Rochester, New York, said that its South Africa company operated mainly sales, service and distribution and some photo-processing and had no manufacturing operations. The local company is based in Johannesburg and has outlets in Cape Town, Durban, Port Elizabeth and Bloemfontein.

Its sales account for less than 1 per cent of the company's worldwide annual sales of $10bn.

He added that no one had yet shown interest in buying the operations and that he would be "very surprised" if local management were to take it over.

● Hong Kong, in confirming its decision earlier this month to ban new contracts for imports of South African iron and steel, said yesterday that it would call on its major financial, industrial and commercial organisations for a voluntary ban on new investment and bank loans to the country.

● In Los Angeles on Tuesday Columbia Pictures said that it would not allow its films to be shown in segregated cinemas in South Africa after May 1 next year. Mr David Puttnam, Columbia's new managing director, acknowledged that some South African cinemas had been segregated, but pointed out that most of the country's drive-in cinema's remained segregated.

Mr Puttnam's assertion was denied in Johannesburg yesterday by Mr David Isaacs, the marketing director of Ster-Kinekor, South Africa's largest cinema operator.

Second case of insider trading exposed in UK

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

BRITAIN'S insider trading scandal deepened yesterday with an announcement from British & Commonwealth Shipping, the transport and financial services group, that an employee had resigned after he was discovered buying shares in a company which B&C was about to take over.

The employee, who was not identified, bought shares in Steel Brothers last Friday only hours before B&C announced an agreed bid for the 55 per cent of the company it did not own. He placed the order through Scrimgeour Vickers, the stockbroking firm which uncovered illicit share dealing by Mr Geoffrey Collier, the Morgan Grenfell securities director who had resigned only four days before.

The evidence has been passed to the London Stock Exchange, which is expected to report the case today to the Department of Trade and Industry (DTI). It will be up to DTI to decide whether criminal proceedings should be initiated under the insider trading laws.

B&C said the employee was "working in a capacity giving access to confidential information." He is understood to be in his 50s and to have held a clerical job where he saw the documents about B&C's takeover plans.

B&C said last night it believed this to be an isolated case and that the employee was not connected with its Gartmore Investment Management arm.

The man was a client of Scrimgeour Vickers. According to the stockbroking firm, he called shortly before 1pm to buy 2,500 Steel Brothers shares at 595p each, saying that they were for another Scrimgeour's client. But Scrimgeour could find no record of this other client and checked back with the caller, who was unable to provide further details.

At 4.15pm the same afternoon, B&C announced its bid for Steel Brothers at 630p a share. Scrimgeours then established that the caller was an employee of B&C and cancelled the trade. Had it got through, the employee would have made a profit, before costs, of about £875.

Mr Richard Allen, compliance officer at Scrimgeours, said the Collier and B&C cases were the only two occasions when the firm had reported suspicions of insider dealing to the Stock Exchange since it was outlawed six years ago. The incidents showed that the firm's system of checks and controls had worked, he claimed.

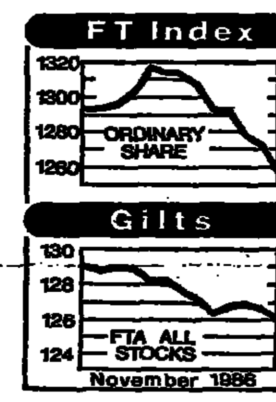
Mr Fred Pettit, chief executive of Scrimgeour's said the firm had decided to make an announcement about the latest case "to prevent ill-informed conjecture." He declined, however, to comment on the Collier case in which his firm is also involved, claiming that the DTI has placed "an embargo" on it while the inquiry by its two inspectors goes on.

London markets weaken

By Janet Bush and Terry Byland in London and Roderick Oram in New York

UK FINANCIAL markets had a troubled day yesterday as they reacted nervously to a statement by Mrs Margaret Thatcher, the Prime Minister, ruling out full membership of the European Monetary System at least until after the US general election and the continuing repercussions of the Boesky insider trading investigations.

Sterling weakened sharply during the morning in the wake of the interview with Mrs Thatcher published yesterday by the Financial Times and triggered heavy markdowns of UK Government bonds. The pound later recovered some of its composure but gilt-edged prices ended as much as 1¼ points lower.



The London stock market was jolted by the heavy overnight fall on Wall Street and by the realisation that the Boesky investigations could involve London as well as New York. Equities fell sharply, losing 20 points on the FT index at one point before rallying towards the close. The FT-SE 100 ended 13.2 down at 1604.3 and the FT Ordinary index 12.8 lower at 1258.8.

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Money markets, Page 32; Sharemarket reports, Page 40

Italian bankers confront political reality

By John Wyles in Rome

AFTER THREE and a half years as president of the Banco di Napoli, Italy's seventh largest bank, Professor Luigi Coccioli's job is in jeopardy. "I accepted the rules of the game when I arrived, and I shall accept them when I leave," he says with the resigned air of a French aristocrat facing the guillotine.

If Prof Coccioli fails to secure a second term, his dismissal will not be any reflection on his stewardship of the bank. An experienced banker with a good record, he was put into the job thanks to his connections with the Social Democratic Party. Mr Franco Nicolazzi, the party's secretary, just may have decided he would now prefer someone else at the Banco di Napoli.

Unless there is an 11th-hour squabble, an interministerial committee will finally decide tomorrow whether Prof Coccioli will be riding the tumbril along with a majority of the 76 presidents of state-owned banks and savings banks whose contracted terms of office have expired two, and in some cases, 10 years ago.

The moment of decision has arrived because the five parties which make up the Italian coalition government have made what is for them a superhuman effort to redistribute the spoils of power within the banking sector.

The exercise, which ends a three-year deadlock, has thrown into stark relief the inter-party jealousies and rivalries which are the *leitmotif* of Italian politics. It has illustrated how those rivalries feed on the patronage offered by an extensive public sector without creating real confidence that appointments are based on merit.

Thus, final banking appointments will apparently be determined much more by power struggles between and within parties than by judgments of the commercial and managerial requirements of the banks concerned.

This last assertion is freely acknowledged by those who have been intimately involved in the negotiations over the last few weeks, with the possible exception of the Bank of Italy which is keeping its opinions to itself.

"I think it has a negative effect on the banks themselves," says Senator Emilio Rubbi, a Christian Democrat who has been heavily involved in a process which he regards as inevitable in a multi-party coalition system.

He argues that all governments use their powers of appointment to

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CONTENTS

EUROPEAN NEWS

Film about Moro's murder makes Christian Democrats see red

BY OUR ROME CORRESPONDENT

ITALY'S dominant Christian Democrat party has been seized by collective outrage this week at the film treatment of one of the most painful episodes in its recent history—the kidnapping and murder of former Prime Minister Aldo Moro by Red Brigades terrorists.

Party leaders have branded the newly-released "The Moro Case" as "ignoble and infamous," for its depiction of Mr Moro's 55 days in captivity and the then minority Christian Democrat Government's *refusal to negotiate* with his kidnappers.

Directed by Giuseppe Ferrara, the film's allegedly unsympathetic treatment of the Government's handling of the affair threatens to open *new wounds* within a party which is still struggling to re-establish its political authority. Having ceded the premiership to a Socialist, Mr Bettino Craxi, more than three years ago, the Christian Democrats are expecting to take over the leadership of the Government next spring and *hoping for* a political come-back in the 1988 general election.

Their blistering reaction to the film is bound to enlarge its potential audience and, therefore, possibly magnify its political damage.

The leadership's sensitivity is said to owe much to the fact that Mr Moro, who was president of the party at the time of his death, was the architect of the controversial "historic compromise" *during* which a minority Christian Democrat Government was sustained in office by Communist party support.

Since an alliance with the Communists either by the Socialists or the Christian Democrats is still regarded as the only alternative to the present five-party coalition, the film's treatment is seen *by many as contemporarily* relevant.

According to its critics, the film paints the Red Brigades terrorists too sympathetically and then Prime Minister, Mr Giulio Andreotti, as too heartless. Its account of the Italian secret services under the control of the P2 masonic lodge which was violently opposed to the "historic *compromise*" is accurate, however.

Ankara asked to aid companies

BY DAVID BARCHARD IN ANKARA

LEADING Turkish businessmen are pressing the Government to help companies in trouble, but Prime *Minister Turgut Ozal continues* to oppose this idea of emergency state support.

Several medium-sized Turkish companies and one or two larger groups are known to be facing serious cash-flow problems. The textile *sector, the most competitive* sub-sector of Turkish manufacturing, has been particularly badly hit.

Mr Halit Narin, the head of the Turkish Employers' Confederation, whose property was briefly the subject of a sequestration order by a bank last *month*, blames the Government's policy of keeping interest rates far above inflation in order to help banks extricate themselves from a mass of bad debts.

"Inflation is around 30 per cent, but rates to borrowers are more than 80 per cent," says Mr Narin. "The Government can solve the problems of Turkish industry easily by bringing down the cost of funds nearer to the inflation rate."

Interest rates were lowered by an average of 4 per cent last month, but the International Monetary Fund is believed to have cautioned the Government last month that further reductions *at present* would be risky.

Mr Narin would like to see low interest rates for certain industrial purposes – the purchase of raw materials, for example. He says the Government is placing the interests of the banking system, which he compares with "man-eating tigers thirsty for human blood" above those of the manufacturing sector.

Mr Nuri Akin, owner of Akin Textiles, one of Turkey's most internationally competitive groups, says that the Turkish textile sector has been hard hit by the loss of orders from the Middle East. "This is more *of a problem than the banks foreclosing*," he says, pointing out that many Turkish textile groups rely on promissory notes rather than bank loans for their short-term financing needs.

In practice, the Government has tried *to keep intact both companies* and banks, despite the strains of the restructuring of the Turkish economy in the 1980s. Some industrialists claim that this has left efficient *industrialists* paying unduly high interest rates to the banks

Swedes agree technology deal with Japanese

By Sara Webb in Stockholm

AGA, the Swedish industrial gas company, and Nippon Sanso, the Japanese specialty gas company, *have agreed to exchange* technology in the fields of specialty gases and pulp bleaching.

According to the agreement, AGA will use technology developed by Nippon Sanso for the production and use of highly purified gases and *related equipment* while the Japanese company has an option to use Aga's *pulp bleaching techniques in* future.

The two companies have still to finalise the arrangements which would allow Nippon Sanso to use Aga's techniques for pulp bleaching in the Japanese market.

Warsaw drops reform plans after criticisms

BY CHRISTOPHER BOBINSKI IN WARSAW

A STORM of criticism has forced the Polish Government to drop many of its proposed legislative changes aimed at strengthening its hand in dealing with companies and their elected workers' co-man*agement councils* as well as local government.

However, Mr Zbigniew Messner, the Prime Minister, has rejected any suggestion that a government reshuffle would follow the collapse of the initiative.

*Mr Franciszek Kubiczek, the de*puty chairman of the planning commission responsible for reform policies, is the most exposed as well as Mr Manfred Gorywoda, the head of the Government's top planning body.

In recent weeks, the changes have come under fire from parliamentary deputies as well as freely elected workers' councils activists.

Supporters of decentralising changes in the party, whose leader, Gen Wojciech Jaruzelski, is openly committed to the reforms, have been working behind the scenes to block the government move.

On Monday, members of the Economic Reform Committee, which was only called into session after *prominent members threatened to* resign, criticised the Government for opening the way to re-centralisation and further monopolisation of the economy.

The commission set up in 1981 drew up the reform

Discord looms over German scheme for extra N-plant safety

BY DAVID MARSH IN BONN

POTENTIAL discord is brewing between the West German Government and big electricity utilities over *plans for additional* safety measures to be built into West German nuclear power stations in the wake of the Chernobyl reactor disaster.

Mr Walter Wallmann, Environment and Reactor Safety Minister, has proclaimed that German nuclear plants in future will have to be fitted with "safety valves" designed to lower releases of radioactivity in the extremely unlikely event of a melt-down of reactor cores.

The cost of the new measure, one of a number of extra safety steps under review for West German nuclear power stations, is likely to be very small in relation to the overall value of a new atomic plant.

However, West German nuclear industry officials doubt whether the "safety valve" move is technically necessary. They see it as a political ploy to reassure a highly sensitive public that the Government is going to extreme efforts to make German reactors – already hailed by Mr Wallmann as among the safest in the world – even more secure.

In this case, some officials say, utilities may try to make the Government pay for the cost of adapting power stations.

The safety valve would be built into the thick concrete safety structure around pressurised water reactors. It would enable air and gases to be released from within the reactor "containment" building. This would dampen the *high pressure* which would build up in the days *following* a core melt-down.

The idea would be to remove the threat that the safety structure could burst under internal pressure, leading to catastrophic releases of radioactivity.

The safety valve and associated *filter to control release of radioac*tivity into the atmosphere has already been fitted to Germany's newest pressurised water reactor (PWR) at Brokdorf in Schleswig-Holstein. This was connected to the grid last month after years of fierce protests from the anti-nuclear movement.

Blood and urine samples will be taken from a group of Basle residents to determine whether any damage to public health was caused after the Sandoz chemical plant fire. Local *authorities*, however, said medical experts *did not expect* there to be any lingering traces of the gas and poisons which were spilled after the fire.

Immediately after the spill, about 20 people sought medical help at hospitals in and around Basle suffering from acute nausea after inhaling smoke and gas.

Compensation claims for the disaster are expected to reach hundreds of millions of francs, Mr Alphons Egli, the Swiss President, said yesterday. He said that it must be hoped for a speedy settlement of claims from the affected countries along the Rhine.

But in Cologne, West Germany, Sandoz insurers said it might take years until all claims were settled and that the company's maximum coverage was for SFr 500m ($300m).

The official Reactor Safety Commission is studying the safety valve system and other security measures. These include separate steps for the country's boiling water reactor (BWR) power stations to prevent the explosive mixing of hydrogen and oxygen in the case of a reactor incident.

A formal decision to bring in the new measures is not likely to be made until after the January general elections, but the reactor industry is already reckoning with tougher safety guidelines.

Partly because reactor containment structures already have small holes in them – bored to carry out tests on the strength of the structure – *the cost of incorporating safety* valves is thought to be only about DM 20m ($10m). This compares with the estimated cost of a new 1,300 MW plant of at least DM 5bn.

None the less, "the question is whether these measures are politically or technically necessary," said one nuclear official.

French foreign trade back into balance

BY GEORGE GRAHAM IN PARIS

FRANCE'S FOREIGN trade moved back into balance last month, with an improved performance in the industrial goods sector. The external trade *deficit was FFr 100m (£10.6m)* after seasonal adjustments, bringing the deficit for the first 10 months to FFr 2bn (£212m). In the same period of 1985 the deficit was *FFr 20.4bn*.

The failure of the external balance to show a solid improvement, despite the reduction in the country's energy deficit due to lower oil prices, continues to place a brake on the Government's desire to dismantle the mechanisms of *foreign* exchange controls.

Mr Edouard Balladur, the *Finace Minister, who announced* a further relaxation on exchange controls on Monday, said he would decide on the final abolition of controls when *the commercial balance* was "durably restored." French residents are still banned from holding foreign currency accounts, and lending in French *francs to non-residents, though* now permitted in some circumstances, is still heavily controlled.

The French industrial trade surplus, whose erosion over re*cent months has been worrying* the Government, rose in October to FFr 2.9bn.

Rapidly rising domestic consumption has increased imports *of consumer durable goods*, while major exporters in the construction and civil engineering sectors have been hurt by the sharp drop in orders from *oil-producing* nations.

Senior Finance Ministry officials are particularly concerned about the development of trade with West Germany, since the continuation of inflation about 2 percentage points above the West German rate threatens to undo the effect on exporters of the devaluation of the franc within the European Monetary System earlier this year.

Government advisers, *how*ever, see no justification for a further devaluation of the franc *against* the D-mark, and *prefer* to point to the evolution of unit labour costs, which are now rising more slowly in France than in West Germany.

The Government, therefore, has been keen to encourage moderation in pay settlements for next year. Mr Balladur earlier this week called for wages *to rise* more slowly in 1987 than this year, when they are expected to have climbed by around 4.2 per cent.

Government backs plan to build private prisons

BY PAUL BETTS IN PARIS

CONTROVERSIAL draft legislation for a FFr 4.5bn (£480m) programme to build private prisons in France to ease the chronic overcrowding in the *state system was approved* yesterday by the Government.

However, President Francois Mitterrand told yesterday's cabinet meeting that he opposed the scheme which he *claimed* would transfer the sovereignty of the state to the private sector in a crucial field.

He also expressed his hostility last week to another government bill involving changes in *the citizenship code. Mr* Mitterrand yesterday quoted Alexis de Tocqueville, the 19th century liberal thinker, saying: "If it's the government's role to ensure the security of society, it is the business of entrepreneurs to earn money."

Only the Constitutional Council, *however*, now has the *power* to force the government to ammend its private prisons bill.

Mr Albin Chalandon, the Justice Minister, defended the *project warning that there was* already serious overcrowding in the country's prisons which would become worse if immediate steps were not taken to build more prisons. There are more than 40,000 inmates in the French prison system which theoretically has room to accommodate only 32,500.

The *Government's programme* involves providing 15,000 new places in private prisons between now and 1990. Mr Chalandon hopes the first prisons will be *completed in* 1988, and the Government will be seeking bids from private *construction* and services groups to build and operate them.

FINANCIAL TIMES

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Public urged to help find Besse's killers

BY PAUL BETTS IN PARIS

MR CHARLES PASQUA, the French Interior Minister, yesterday urged French citizens "to collaborate" with the police to combat terrorism. He also announced after a cabinet meeting that the Government would offer a reward of FFr 1m (£106,000) for information helping to lead to the arrest of the terrorists involved in the killing this week of Mr Georges Besse, the chairman of Renault, the state car group.

The Government will also post throughout the country reward notices with photographs of suspected members of the extreme left Action Directe terrorist movement which claimed responsibility on Tuesday for the murder of Mr Besse.

It is the second time in barely two months that the Government has offered a reward for public help in fighting terrorism. Last September, notices were stuck on walls throughout the country to help find the terrorists suspects behind the wave of bombings which killed more than 10 people and injured another 200 in Paris.

Mr Pasqua said he wanted French people to become fully aware that the murder of Mr Besse involved everybody in the country and that the security forces were seeking "the maximum information" in their quest for the terrorists.

He also defended the efforts of the police so far. However, the security forces have yet to arrest a suspect in either the earlier September bombings or the Action Directe members connected with the latest killing.

The issue of terrorism is expected to be one of the main topics of the annual Anglo-French summit on Friday in Paris when Mrs Margaret Thatcher will have talks with President Francois Mitterrand and Mr Jacques Chirac, the Prime Minister. The one day summit will start shortly after the memorial service for Mr Besse at the Invalides on Friday morning.

The French cabinet yesterday paid tribute to Mr Besse. President Mitterrand and Mr Chirac will both attend the funeral together with leading French political and industrial leaders.

Azores separatist says 60% back independence

BY PETER WISE IN LISBON

A SELF-PROCLAIMED Azores separatist leader claimed yesterday that 60 per cent of the population supported independence for the mid-Atlantic Portuguese islands and called for a referendum to decide the issue.

Mr Jose de Almeida, leader of the Azores Liberation Front (FLA), described the nine-island archipelago of 250,000 people as a colony of Lisbon and suggested there was military support in the Azores for the independence movement.

Most Lisbon politicians and deputies of the semi-autonomous region's parliament dismiss the separatists as a minuscule group lacking in support or realism.

But the resurfacing of FLA has added to tensions between the central and regional governments arising from a row over the honours to be afforded to the Azores flag and anthem.

The separatist leader said the strategic US air base on the islands was a hindrance to his movement's aims but he admitted that an independent Azores would continue to extend the same facilities to Washington.

● The number of Portuguese workers not being paid has fallen by half over the past year, but companies still owe many months of wage arrears to more than 38,000 employees, according to government figures released yesterday. Trade unions contend many more workers are affected.

The Labour Ministry announced the drop in pay arrears as workers from Tabopan, Europe's largest manufacturer of wood conglomerates, blocked roads to demand wages that have not been paid to the company's 1,700 employees since August.

Industrial states to boost job creation

By George Graham in Paris

LABOUR MINISTERS from the Western industrialised nations agreed yesterday on a package of policies aimed at raising economic growth and helping those hardest hit by unemployment back into the workforce.

Ministers meeting at the Organisation for Economic Co-operation and Development in Paris said unemployment remained the weak link in the economic recovery. They called for increased rates of job creation, rather than counter-productive measures to preserve existing jobs, as the best way to lower unemployment.

Social security systems must be changed, the ministers decided, so that the worst affected groups — the long-term unemployed and the young, in particular — can be reintegrated into the labour market.

Mr Ruairi Quinn, Irish Labour Minister and president of the meeting, said that what was needed was the "transformation of a system of passive income maintenance into a system of positive job creation" through measures to link work experience to welfare state payments.

"I do not think anyone who is currently unemployed should be asked to wait until the level of economic growth is enough to ensure that they are taken back into the labour market," he said.

"It is not simply a question of resources. It is the recognition that the human condition requires activity." Ministers also agreed to promote more flexible patterns of working, including part-time and temporary work and in some countries early retirement.

Mr William Brock, the US Labour Secretary, said that changes in population meant the US would suffer labour shortages in a few years. "In the US we have now eliminated mandadatory retirement laws, because we are going to need manpower."

A decision to set up a working party of distinguished experts to examine the effects of new technology on employment was also taken by the ministers, who were described by Mr Quinn as "wiser and more mature" than at the OECD meeting two and a half years ago.

EEC deadline looms on aid to shipbuilders

BY WILLIAM DAWKINS IN BRUSSELS

EEC INDUSTRY officials have been given four weeks to hammer out an agreement on the future shape of EEC subsidies to Europe's ailing shipbuilders.

This follows the failure of a meeting of industry ministers in Brussels earlier this week to reach a final accord on European Commission proposals for a more comprehensive five-year regime to replace the aid rules that run out at the end of this year.

Officials are optimistic that an accord can be reached, but they face a tough and complex debate if they are to make it possible for the 12 member states to agree at the industry ministers' next meeting on December 22.

All but three member states, the most vociferous being Italy, support the broad outlines of the Commission's proposal to set a common subsidy limit of 26 per cent. This would cover all types of industry assistance, rather than just direct aid as under the present system, where individual states work out their separate aid levels with the Commission.

Yet there are wide differences within the Community on some important details of the plan—and national officials are under intense political pressure to find a way round them quickly. All member states are keen to avoid the uncomfortable prospect of the present shipbuilding directive running out without a new one to take its place. If that happened, the Commission has the power to declare all shipbuilding aid illegal unless every individual assistance scheme is approved by the Brussels authorities.

Even Mr Martin Bangemann, the West German Economics Minister—whose country has one of the most efficient shipbuilding industries in the EEC and therefore needs relatively little support—told journalists in Brussels yesterday: "We need and want a more organised system of regulations."

The issues that national officials now have to tackle fall into two parts: at what level to set the aid ceiling and what kinds of assistance it should cover. The Commission argues that its 36 per cent limit makes up for most of the difference in costs between the most efficient European yards and their Japanese and South Korean rivals, though it has been deliberately set a little low to stimulate EEC companies to become more competitive.

West Germany the Netherlands and Denmark will only accept that figure if it is gradually reduced over the years so as to force countries that have carried out less restructuring than themselves to shed more capacity.

Italy and France, which have restructured less than their northern colleagues, argue for a second, higher ceiling to cover larger vessels. Rome in particular is anxious to avoid making heavy closures in a domestic industry whose 15,000 workers are predominantly based in high unemployment regions.

Britain is also arguing for a split ceiling, with a top limit of possibly 33 per cent. That, it believes, is a more accurate mark of the cost gap between European and Far Eastern yards than that suggested by the Commission. This view is likely to be shared by the European Parliament when it gives its opinion next month.

Spain and Portugal are not immediately affected because the Commission proposals give them three years' grace.

"The next few weeks are going to be a painful process," said one Commission official. "We are talking about an industry which has little or no future but which still contains a few jewels. The question for us is to find a way of picking them out of the garbage."

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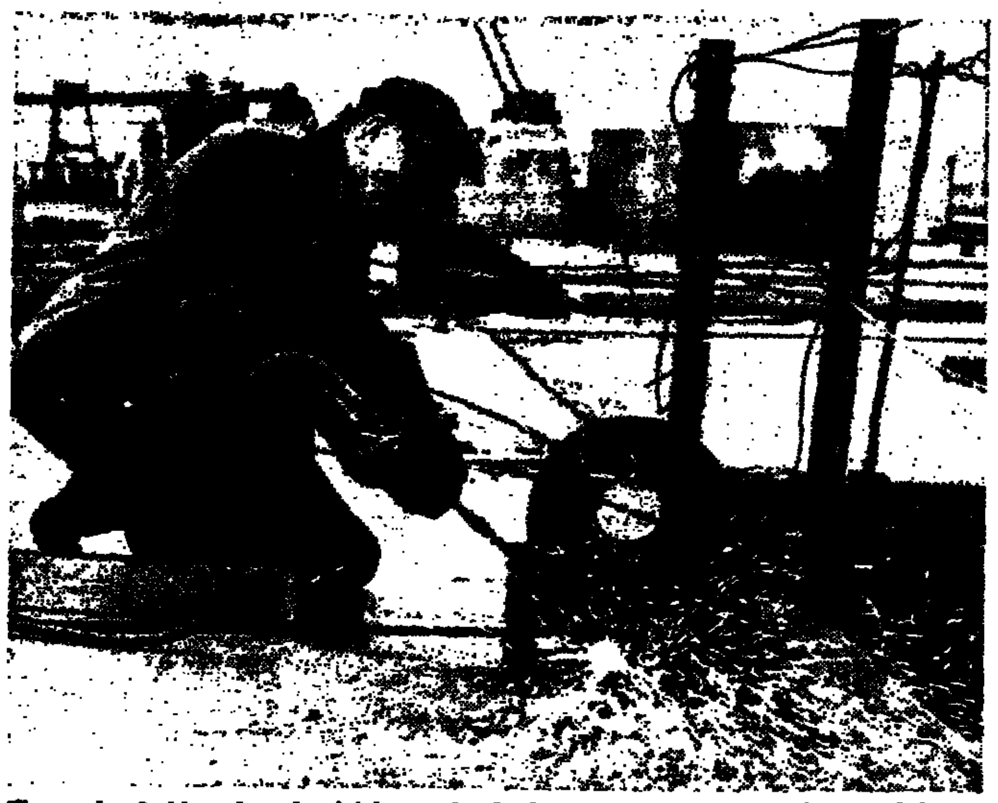


Thousands of shipyard workers' jobs are involved in the arguments over future subsidies to Europe's ailing industry Roger Taylor

Dutch pressed to bar missiles

BY OUR FOREIGN STAFF

THE SOVIET UNION yesterday sought to dissuade the Netherlands from deploying its share of US cruise missiles on the grounds that it would undermine efforts to reach agreement on removing medium-range nuclear weapons from Europe.

Speaking in advance of the visit to Moscow today of Mr Ruud Lubbers, the Dutch Prime Minister, a Soviet Foreign Ministry spokesman said in Moscow the deployment of cruise missiles in the Netherlands "does not make the matter (of any arms agreement) easier, it complicates it further."

Last November, the Netherlands became the last of five west European Nato countries to decide to accept intermediate-range weapons. It will site 48 cruise missiles at Woensdrecht airbase near the Belgian border by 1988. The other four have already started deploying.

Mr Lubber's visit began as a Russian ploy to block nuclear missiles in the Netherlands, and is ending as a Dutch move to do the same. When he meets Mr Mikhail Gorbachev tomorrow, he will urge him to negotiate with Washington separately over medium range nuclear missiles (INF) without linking them to the US Star Wars programme.

While The Hague has avoided any public differences with Bonn and London over the INF talks, the Dutch are much keener to be rid of all intermediate range missiles in Europe now.

Mr Lubbers is the first premier of a Nato country deploying medium range missiles to visit Moscow since last month's Reykjavik summit meeting between Mr Gorbachev and President Ronald Reagan. The Dutch have been asked by Washington to sound out the Kremlin on the possibility of de-linking an INF accord from a pact on space based weapons.

Today Mr Lubbers meets his Soviet counterpart, Mr Nikolai Ryzhkov, while Mr Hans van den Broek, the foreign minister, meets Mr Euard Shevardnadze, his opposite number. The Russians have indicated that they would like to issue a joint communique at the end of the two-day visit but the Dutch have been less than enthusiastic

Anti-drink campaign in Hungary and Bulgaria

BY LESLIE COLITT IN BERLIN

SEVERAL EAST European countries are reducing their output and sale of alcohol in the face of growing effects on production as well as a rising mortality rate.

Hungary has banned the consumption and sale of alcohol at places of work while Bulgaria says it will cut alcohol output by 10 per cent.

Taking a cue from the Soviet Union, Bulgaria said it would ban alcohol at official receptions and cultural events as well as resort homes, parks, discothèques and stadia.

Imports of alcohol are to be reduced and the government plans to convert many bars into coffee houses and cafeterias.

The Hungarian industrial city of Miskolc has banned sales of alcohol before 9 am after the city council received thousands of letters requesting the ban.

For some years restaurants were not permitted to serve alcohol before 9 am which greatly increased alcohol sales in food shops and drinking in their vicinity.

Other food shops near major factories as well as the railway station have also been ordered to stop selling alcohol between 1 and 3 pm.

Hungary this month also adopted stricter measures against absenteeism which is considerably higher than in most Western countries.

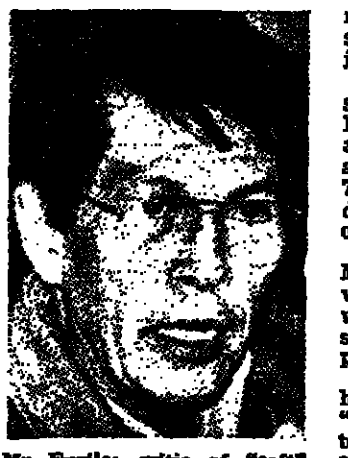
OVERSEAS NEWS

Politician killed, store bombed as Aquino is put under pressure

BY SAMUEL SENOREN IN MANILA

A VETERAN Philippines politician and known anti-Communist was assassinated yesterday and a large department store was bombed in a continuing spate of violence that has rocked Manila since the murder last week of Mr Rolando Olalia, a militant labour leader.

Unknown gunmen yesterday shot down Mr David Puzon, 64, a tough politician who once represented in the now-defunct parliament the home provinces of Mr Juan Ponce Enrile, the Defence Minister and critic of President Corazon Aquino's handling of the Government's negotiations with Communist rebels.



Mr Enrile: critic of "soft" line against Communists

Mrs Aquino yesterday adopted a harder stance for the negotiations in what appeared to be a significant change in policy. In a meeting with members of her Cabinet, which included Mr Enrile, she ordered Mr Ramon Mitra, the chief government negotiator, "to produce a ceasefire within the month."

She has been under pressure from hardliners in the armed forces to fix a deadline for the negotiations to prevent the rebels from consolidating their forces. Last Sunday, she threatened to "go to war" if the Communists did not give her much choice in the negotiations.

Mr Mitra said he was not sure if a ceasefire agreement could be reached by next month after the Communist National Democratic Front (NDF) broke off contact last week when Mr Olalia was killed by unknown assassins.

A funeral march that is expected to draw thousands of supporters is to be held for Mr Olalia in Manila today to coincide with another general strike called by his union, the militant KMU (May One Labour Movement).

The NDF has accused the armed forces of responsibility for Mr Olalia's murder although police are still investigating the crime.

Mr Enrile had criticised Mrs Aquino's "soft" approach towards the rebels, saying he did not believe that the Communists were sincere in negotiating a ceasefire and suspected that they were playing for time to regroup.

Gunmen dressed as women shot and killed Mr Puzon. Police said Mr Puzon's driver and the manager of his factory also died in the attack at about 7.30 in the morning in San Jose del Monte, about 10 miles north of Manila.

Mr Puzon's daughter-in-law, Mrs Eva Puzon, was seriously wounded. She said in an interview with government television that she had survived by pretending to be dead.

Six to 10 gunmen dressed as housewives leaped out of a "Jeepney," a small bus unique to the Philippines, and sprayed automatic fire at the car.

Mr Puzon, who owned several large businesses, was representative of a district north of Manila which had a large concentration of Communist guerrillas in spite of attempts by the armed forces to flush them out.

It was not known if Mr Puzon's murder and the department store bombing which injured several persons were linked, although tension has swept Manila following fears of a new wave of political terrorism in the wake of Mr Olalia's murder.

Government authorities have still to solve the kidnapping last Saturday of a top executive of Mitsui in Manila who has not been heard from since.

No group has claimed responsibility for the violent incidents.

DEFENCE BUDGET BOOST URGED

Israel heads for spending clash

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S powerful defence establishment and the country's economic authorities are once again on collision course, with the latter anxious to restrict public expenditure and allow the economy to climb off its sick bed.

But this time senior economic officials say the stakes are higher than ever before. They present a choice before Mr Yitzhak Shamir, the Prime Minister, as one between muddling through in the present fashion or undertaking radical reforms which could lead to sustained growth.

Calling for "real leadership" by the new Prime Minister on the economy, they point out that so far he has not shown his hand on the issue before him.

Led by Mr Yitzhak Rabin, the Defence Minister, the Israeli Defence Forces are currently arguing for a 10 per cent increase in their budget for next year, equivalent to nearly $800m (£210m). Officials say this rise, which should be maintained to the end of the decade, is needed to compensate for sharp cuts suffered in recent years.

Against this traditional, security-first orientation, the Treasury paints the prospect of dramatic tax cuts—almost halving the marginal top rate of corporate and private taxation—provided public expenditure remains constant in real terms.

A Treasury study has concluded that the abolition of tax exemptions could bring the marginal rate down to 45 per cent. In addition, cuts in the much resented heavy burden of social-security payments are being contemplated.

Yet senior officials say no formal proposal will be put to the Ministerial Economic Committee while the budget battle remains unresolved.

"I would like to see the defence establishment do a major rethink of its cost effectiveness," one top economic official said privately, adding that "serious rethinking" was also required over Israel's health and social services spending.

Striking nurses demanding higher pay from a Government determined to hold the line on public sector wages conducted running guerrilla warfare with the Government throughout the year.

The concessions which were finally granted predictably led to a spate of demands from other aggrieved public sector groups such as teachers.

While inflation in Israel seems to be firmly under control at its present annual level of between 15 and 20 per cent, the Central Bank does not believe this level is sustainable in the medium term.

In October, the consumer price index rose by an unwelcome 2.4 per cent, and the November figure is also expected to be disappointing.

The public accounts, however, look better this year than even the architects of last year's economic stabilisation programme had imagined possible.

Britain loses Australia spy documents appeal

BRITAIN lost an appeal yesterday against a court order that it must produce confidential documents in its case to ban a former spy's memoirs, Reuter reports from Sydney.

The New South Wales Court of Appeal rejected the application against the order by state Supreme Court Justice Philip Powell, who is hearing the British case against Mr Peter Wright, a former MI5 counter-espionage agent.

Mr Powell on Friday ordered the production of documents, including background notes used by Mrs Margaret Thatcher, the British Prime Minister, in denying to the House of Commons that Sir Roger Hollis, the former MI5 director-general, was a Soviet spy. Other documents relate to British decisions on whether to take legal action to stop the disclosure of confidential information about MI5 in certain books and on television.

Legal sources said Britain has not decided if it will appeal to the High Court of Australia, the last avenue of appeal here.

Mr Wright, 71, who now lives in Tasmania, was on the personal staff of Sir Michael Hanley, MI5 director from 1973-78. He has claimed Sir Roger, who had helped establish Australia's secret service, was a Soviet mole.

The Supreme Court has temporarily banned publication of Mr Wright's book pending the outcome of the hearing for a permanent injunction against it which began on Monday.

Mr Theo Simos, counsel for the British Government, said under questioning today that Britain's action is not to stop the publication of confidential information, but to stop MI5 employees or former employees from publishing it. Information revealed by MI5 "insiders" carried more authority and would be more useful to hostile intelligence agencies than the work of outsiders, he said.

Mr Wright's counsel has argued that Britain did not pursue legal action against author Nigel West's 1982 book "A Matter of Trust—MI5 1945-1946" after the writer had agreed to delete certain passages.

Australia has joined Britain in its action against the Wright memoirs on the grounds that they could damage the country's security interests and create doubts among allies which share intelligence.

AP adds: MI5 made no attempt to prevent the broadcast of a television programme about Mr Wright in 1984, Sir Robert Armstrong, the British Cabinet Secretary, testified yesterday.

"We did not know at the time how damaging it was going to be," Sir Robert told the New South Wales State Supreme Court hearing in Sydney. He is the primary witness for the British Government, which is seeking to prevent publication of Mr Wright's book in Australia.

Sir Robert said under questioning by Mr Malcolm Turnbull, who is representing Mr Wright and Heinemann Publishers Australia, that MI5 knew some weeks before the Granada TV programme "The Spy that Never Was" was broadcast that it featured an interview with Mr Wright.

"I don't think we had time to get our act together," to prevent the broadcast, Sir Robert said. He said the British security service was damaged by what Mr Wright had said during the programme.

Sir Robert said that Mr Wright was one of three men the British security service had concluded might have leaked information to British writer Chapman Pincher. Mr Pincher had published a book titled "Their Trade is Treachery" in 1981 that detailed moles in MI5

China turns down Korea peace talks

By Robert Thomson in Peking

CHINA HAS rejected a South Korean proposal that it participate in formal talks to ease tension between North and South Korea, Qi Huaiyuan, the assistant Chinese Foreign Minister, made clear in an interview here.

The proposal was relayed by Mr Yasuhiro Nakasone, the Japanese Prime Minister, while he was in Peking last week. Mr Nakasone also told his Chinese hosts that Japan supported the South Korean move, but Qi said that China backed a North Korean proposal for three-way talks on the future of the Korean peninsula.

The three-way talks, involving North and South Korea and the US are partly aimed at undermining the status of South Korea, which the North considers to be a US "puppet," and it therefore wants to talk directly with Washington.

South Korea proposed four-way talks, with China making up the four. Qi said the US should take part because it has troops on the Korean peninsula.

He maintained that China had "no bilateral relations" with South Korea, and denied rumours that there are plans to allow South Korea to open a trade office in Peking. He said China, which attended the Asian Games in Seoul this year, is "still discussing" whether it will attend the 1988 Olympics in the South Korean capital.

Diplomats suggest that Peking had been annoyed by North Korea's granting of overflight and berthing rights to the Soviet air force and navy, but Qi said China was not disturbed by Pyongyang's move

Zimbabwe payments surplus up

BY TONY HAWKINS IN HARARE

ZIMBABWE achieved a balance of payments surplus of Z$205m ($85m) during 1985, an increase of 25 per cent on the 1984 figure. The Reserve Bank of Zimbabwe said in its quarterly economic bulletin that this occurred despite an increase in the current account deficit from Z$101m to Z$146m.

The current account deficit widened despite an increase in the trade surplus to Z$300m because of a Z$100m increase in the deficit on invisibles. However, the current account outflow was comfortably financed by capital inflows of Z$244m and unrecorded transactions of a further Z$106m.

The central banks said that foreign exchange flows had been "relatively stable" in the first seven months of 1986 but there had been a marginal (US$19m) fall in net reserves during this period.

The bank said it had been assured that measures have been taken and are being implemented to secure new and safeguard established trade routes in the southern African region. It was issuing this assurance, the Review said, against a background of "a certain amount of uncertainty and unease" about export routes in southern Africa, which might have caused concern among some "traditional international trade financiers."

Commenting on the economic situation, the central bank said it had revised its economic growth estimate for 1985 up to 7 per cent from 6 per cent previously. But it is cautious about the immediate outlook saying only that there are "clear indications" of significantly slower economic growth during 1986.

AP adds: Mr Uffe Ellemann-Jensen, the Danish foreign minister, on Monday signed with the Zimbabwe government a fresh aid package worth Z$12m.

The interest-free loan, repayable over 25 years, raises to Z$43m total Danish government aid to Zimbabwe since its independence in 1980.

The latest loan is earmarked for building grain silos and buying new communications equipment. Earlier aid has mainly been spent on agricultural development.

Afghanistan talks deadlocked

UNITED NATIONS-sponsored Afghan peace talks are deadlocked on the timing for withdrawal of Soviet troops from Afghanistan, a Pakistani Foreign Ministry spokesman said yesterday, Reuter reports from Islamabad.

But the spokesman, speaking to reporters before the expected arrival in Islamabad yesterday of a United Nations mediator, said that Islamabad was keen for a settlement and hoped to resolve the differences.

He said the visit of Mr Diego Cordovez, UN Under Secretary-General, to Islamabad, Kabul and Tehran would focus on arrangements for the proposed settlement and the timetable for withdrawal of the more than 100,000 Soviet troops in Afghanistan.

The spokesman said there were indications there would be progress in formulating arrangements for the implementation of previously settled issues.

"On the other (pullout date)," the spokesman said, "positions are far apart."

Mr Cordovez has served since 1982 as an intermediary in the indirect talks between Pakistan and the Soviet-backed Afghan Government.

Agreement already has been reached on three of the four points of the settlement—non-intervention in each other's affairs; international guarantees on non-interference; and return of some 5m Afghan refugees now mostly in Pakistan and Iran.

But the talks remain deadlocked over the troop pullout timetable. Pakistan wants the Soviet troops to leave in months rather than in years as offered by Kabul.

The Pakistani spokesman said Islamabad wanted the timetable to be determined by what it called the objective criterion of logistics requirements.

"Pakistan has given its rationale of the withdrawal timeframe. We would like to know the rationale of the other side," he added.

The spokesman said that in Islamabad, Mr Cordovez would meet President Mohammad Zia-ul-Haq and Mr Mohammad Khan Junejo, Prime Minister, besides having formal talks with Mr Sahabzada Yaqub Khan, Foreign Minister, who has represented Pakistan in the Geneva talks.

The spokesman denied oft-repeated Kabul charges that Pakistan was under US pressure to delay an Afghan settlement. "Pakistan makes its own decisions without any foreign influence," he said.

Pakistan has reported increased violations of its border by Afghan forces this year in what commentators in Islamabad have described as pressure against backing the guerrillas who have been fighting the Kabul regime for seven years.

The spokesman said the violations so far this year were more than twice those in the comparative period last year, but he offered no specific figures.

Sri Lanka conflict talks end

By John Elliot in New Delhi

TALKS in New Delhi on Sri Lanka's Tamil ethnic crisis ended last night after the Foreign Ministers of India and Sri Lanka failed to find a formula which would be acceptable to leaders of extremist Tamil separatist groups as a basis for negotiation.

The talks started at the weekend at the South Asian summit in the southern Indian city of Bangalore when Sri Lanka made significant concessions by offering to split its eastern province so that the Tamils controlled one part of the country's east as well as the northern province of Jaffna.

But this was rejected by leaders of the Liberation Tigers of Tamil Eelam, the main separatist group, which is based in the southern Indian state of Tamil Nadu. In its role as mediator, India will now continue to try to find some common ground in order to start negotiations. Talks between the two countries' ambassadors are expected to take place today.

If no solution is found, India will consider expelling the leaders and activists of the extremist groups from Tamil Nadu in line with an agreement reached at last weekend's summit that said Asian countries should not provide homes and bases for neighbouring countries extremists.

Beirut bank blast

A rocket-propelled grenade hit Lebanon's Central Bank in Moslem West Beirut, wounding one employee police reported yesterday, AP reports from Beirut. They said it slammed into the sixth floor of the eight-storey building across the street from Prime Minister Rashid Karami's office in the commercial district of Hamra.

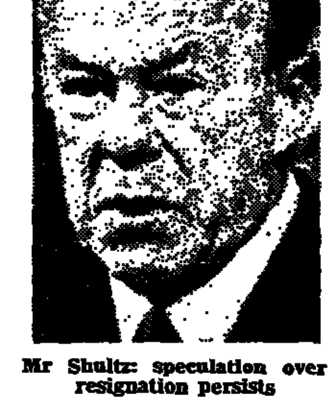
AMERICAN NEWS

Reagan acts to resolve row over Iran arms

BY STEWART FLEMING, US EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan was yesterday preparing to try to resolve the controversy over US arms shipments to Iran amid continuing speculation that it could lead to the resignation of one of his senior foreign policy advisers.

Both the White House and the State Department denied reports from National Public Radio that Mr Shultz intends to resign and that Senator Paul Laxalt, a close friend of President Reagan, would replace him.



Mr Shultz: speculation over resignation persists

But some foreign policy experts continued to question whether, if Mr Shultz remained in the Administration, as they expect, Vice Admiral John Poindexter, the President's National Security Adviser, would also stay.

Mr Reagan was scheduled to meet Mr Shultz yesterday afternoon, a few hours before the President was to appear on national television for his first press conference since August 12.

The White House decision to hold a press conference followed the failure last week of Mr Reagan's televised address to the nation. This was intended to damp down questions about his decision secretly to ship arms to Iran as part of a diplomatic initiative which has been widely interpreted as designed in part to secure the release of American hostages held in Lebanon by pro-Iranian terrorist groups.

Mr Shultz made it clear on US television on Sunday that he disagreed profoundly with a diplomatic move which appeared to involve a deal with terrorists or a nation such as Iran which the US has identified as sponsoring terrorism.

On Monday the White House announced that it had no further plans to ship arms to Iran, a statement which was widely seen as designed to meet Mr Shultz's objections and which it was thought would remove questions about whether or not Mr Shultz would remain in the Administration.

There were differing interpretations yesterday of the continued speculation about Mr Shultz's future.

Some suggested Mr Shultz still required clear assurances that, after the President, he is the Administration's chief foreign policy adviser. Others argued that the speculation was being fanned by officials around him in an effort to pressure the White House into acknowledging more explicitly the Secretary's predominance in the foreign policy making process under the President.

Mr Shultz and the state department were largely ignored in the implementation of the Administration's overtures to Iran, which were conducted by the White House through the staff of the National Security Council, an executive branch agency.

One way in which the strength of Mr Shultz's position could be underscored would be through the resignation of Admiral Poindexter.

US growth put at 2.9% in third quarter

THE US gross national product increased at 2.9 per cent a year in real terms in the third quarter, the Commerce Department said, Reuter reports from Washington.

That was up from last month's estimate of a 2.4 per cent rise and the 0.6 per cent increase in the second quarter. GNP rose 4.1 per cent in the third quarter of 1985.

The rise, in line with analysts' predictions, was revised upward from last month because of higher defence spending, which was partly offset by downward revisions in consumer spending and inventories.

The economy was growing at an annual rate of 2.4 per cent in the first three quarters of 1986 and would have to grow by 5.6 per cent in the current quarter to achieve the Reagan Administration's 3.2 per cent growth forecast.

The White House welcomed the revised GNP figures and said it was a sign the economy was picking up.

"With the trade deficit now beginning to drop off and American business poised to begin operating in an improved atmosphere of tax reform and declining budget deficits, potential for growth seems limitless," said spokesman Mr Larry Speakes.

The Commerce Department also announced that profits of US corporations, after tax liabilities, increased $6bn, or 4.3 per cent, in the third quarter to a seasonally adjusted annual rate of $144bn.

Chris Sherwell in Perth adds: US economic growth will decelerate in the first half of next year, promising reductions in the Federal Reserve's key discount rate and interventions to support the dollar, Dr Henry Kaufman, managing director and head of bond research at Salomon Brothers, forecast yesterday.

THE BOESKY SCANDAL

Wall Street takes on the triple alliance

BY RODERICK ORAM IN NEW YORK

WALL STREET is juggling its hottest business — takeovers launched by corporate raiders, financed by juk bonds dealers and facilitated by arbitrageurs —like a hot potato as the judicial and regulatory authorities rapidly expand the scope of their investigations.

The triple alliance between the three types of players has brought about some spectacular corporate coups in recent years, catapulting a string of raiders into the headlines. In recent months, the takeover fever has pushed the stock market up from its precipitous drop in mid-September.

This week's abrupt cooling of the takeover passion in the wake of the Boesky insider trading scandal has promted the market's steep drop on Tuesday afternoon.

News yesterday that the relationship between the three forces in opportunistic takeovers had come under the scrutiny of the courts further fed fears that there was no knowing yet just how deep into Wall Street the Boesky scandal will spread.

Reportedly, Drexel Burnham Lambert, the third largest investment bank on Wall Street in terms of underwriting volume, is the subject of a grand jury investigation into the links between it and Mr Ivan Boesky, the arbitrageur penalised $100m last week for insider trading.

Under the US legal system, grand juries meet in secret to collect evidence from which to decide whether indictments should be brought for alleged violations of criminal laws.

That a person or company is co-operating with a grand jury in no way implies wrongdoing on their part. No statement from Drexel on the reports was immediately forthcoming.

Drexel is the focus of attention because of the role it has played in the takeover business. It has worked with Mr Boesky by raising money which he staked as an arbitrageur by buying stocks he thought would appreciate in a takevor situation. Moreover, Drexel, along with many other investors, lent some of its own money to Mr Boesky for arbitraging.

Arbitrageurs have played a key role in takeovers by buying shares from investors to build blocks in takeover targets. Often these blocks have been sold on to the corporate raiders. This is a legitimate business as long as the arbitrageurs do not act on insider information or work in collusion with the raiders.

Drexel is also linked through its pioneering work in the junk bond field. These are high yielding securities rated below investment grade, which corporate raiders have used extensively to finance takeovers.

Mr Michael Milken, a Drexel employee who developed the theory of junk bonds, remains the key man in the market for his ability to construct deals and distribute billions of dollars of the bonds through Drexel. It is believed he has been subpoeaned in the Boesky affair. Drexel confirmed that it as a firm has been subpoened.

Over recent years Drexel has underwritten $33bn of junk bonds, half the total, issuing $15bn alone in the first 10 months of this year, compared with a mere $3bn from Merrill Lynch, second placed in the market. Drexel's overall underwriting totalled $27bn for this year, placing it third behind Salomon and First Boston, both of which have minimal junk bond involvement.

The relationship between the three forces was spotlighted in a public court hearing in Boston on Tuesday. Gillette, the razor and consumer products company, accused Mr Ronald Perelman of tipping off "market players" to his plans to launch a hostile bid for it.

It said that he had sought to "place as many shares of Gillette common shares as possible in the hands of professional traders, arbitrageurs and other speculators." Mr Perelman's spectacular rise has been largely financed by Drexel junk bonds which he plans to use again in his bid for Gillette. But the share price of Gillette and other companies targeted for raids financed by Drexel fell sharply on worries that the bids would fail if Drexel should find it difficult to sell junk bonds in the present uneasy environment.

Grenada murder trial nears end

BY STEPANIE GRAY IN ST. GEORGES, GRENADA

THE FINAL STAGES of the Maurice Bishop murder trial began in St Georges, Grenada, yesterday when the acting Chief Justice, Mr Dennis Byron, began his summing up after a seven-month hearing.

There are 18 defendants, 11 of whom are accused of murdering the revolutionary Prime Minister, Mr Bishop and four of his ministers in November 1983. The other seven face lesser charges. The penalty for murder in Grenada is hanging.

The defendants, in what has been the longest trial in Caribbean history, include General Hudson Austin, the former People's Revolutionary Army (PRA) chief, Mr Bernard Coard, Mr Bishop's deputy, and Mr Coard's wife Phyllis.

It was a dispute between Mr Bishop and the more extreme Marxist Mr Coard over joint leadership of the People's Revolutionary Government (PRG) that led to Mr Bishop's murder and the crisis that precipitated the US invasion a week later.

The defendants fall into two categories — one group which allegedly ordered the shooting, and another which is said to have carried it out.

The judge's summary is scheduled to last two weeks and is likely to be subject to the disruptive and unruly behaviour by the defendants that has marked the trial throughout. The 18 have been acting on their own behalf since shortly after the trial began, having dismissed their counsel.

Disruption of the proceedings has been seen as a delaying tactic in an effort to have any appeal—should the jury find them guilty—to the British Privy Council. The latter can hear appeals from Commonwealth countries which have not abolished this final appeal from their courts.

At present the 18 have recourse only to the local appeals court. Grenada has however reapplied for entry to the Supreme Court of the Organisation of Eastern Caribbean States. Membership gives them access to the Privy Council in the last resort.

Ironically, membership of the court was cancelled by the Bishop government, whose revolution in 1979 overthrew the eccentric and thuggish Prime Minister, Sir Eric Gairy. Grenada is expected to be readmitted to the court in January.

Ontario moves towards bilingualism

By Bernard Simon in Toronto

AN ONTARIO decision to provide all provincial government services in French as well as English has underlined growing tolerance among Anglophone Canadians towards the country's second official language.

Under a bill passed by the Ontario legislature, provincial agencies will offer bilingual services within the next three years in all but a small area of the province.

A five-member French language services commission is to be formed to supervise the transition, which includes a C$3m project to translate all provincial laws and some regulations into French. Each ministry will have a French services co-ordinator.

Military chief set to oppose missile cuts

By Lionel Barber in Washington

ADMIRAL William Crowe, chairman of the US Joint Chiefs of Staff, is to voice opposition to President Reagan's idea of eliminating nuclear ballistic missiles in 10 years in testimony to Congress next week.

Admiral Crowe is expected to describe the goal, outlined by Mr Reagan at the Reykjavik superpower meeting, as "overly ambitious" and potentially destabilising, according to Pentagon officials.

US military concern about the Reykjavik proposals, shared by America's Nato allies in Europe, has led to a marked shift this week in the Reagan Administration's position

In a speech on Tuesday night, President Reagan, reflecting a new sober approach, set out four priorities for arms control which matched the agreement struck with Mrs Margaret Thatcher, the British Prime Minister, last weekend.

President Reagan said the priorities were: a 50 per cent cut in strategic nuclear forces, "sweeping" cuts in theatre nuclear weapons in Europe and Asia, a ban on chemical weapons, and renewed emphasis on the imbalance in conventional forces between Nato and the Warsaw Pact.

A further sign that the US is having second thoughts about Reykjavik came this week when Mr George Shultz, US Secretary of State, suggested that the US retain a small ballistic missile force as an "insurance policy" against Soviet cheating.

Mr Shultz's proposal appeared to contradict Mr Reagan's oft-repeated view that the Strategic Defence Initiative — the space-based anti-missile defence shield — is an adequate insurance policy.

Mr Reagan first broached the idea of eliminating ballistic missiles in a July 25 letter to Mr Mikhail Gorbachev, the Soviet leader. After Reykjavik, the President said Mr Gorbachev had rejected "the most far-reaching arms control proposal in history."

Five-nation consortium offers new engine for A-340

BY DAVID MARSH

INTERNATIONAL Aero Engines (IAE) the five-nation aero-engine consortium, is proposing a new fuel-efficient engine for the long-range A-340 aircraft planned by Airbus Industrie, the European airliner manufacturer.

The proposals, still in outline stage, could introduce a new and possibly crucial factor into the British government's deliberations over whether and by how much it should fund British Aerospace's planned participation in the A-340.

The IAE consortium, leading members of which are Pratt and Whitney of the US and Rolls-Royce of Britain, has put forward ideas for a "superfan" engine for the A-340 in talks this month with Lufthansa, the German national airline, and Swissair of Switzerland. It has also been holding technical discussions with Airbus.

Both airlines are weighing up the possibility of lodging firm orders by the year-end for the four-engine A-340.

Although Airbus Industrie—a consortium of four European aerospace groups—has not yet won firm government financial backing for the A-340 and its sister aeroplane, the A-330, it wants to launch both programmes around the beginning of next year.

The British Government has been hesitating over putting up several hundreds of millions of pounds to back UK participation in the A-340.

But the possibility of associating Rolls-Royce in the new development could, some observers believe, add to the chances that the UK will vote funds for the project.

The IAE suggestions are due to be discussed at a board meeting on December 3.

The consortium, linking General Electric and Snecma of France, last month announced agreement with Airbus to build an initial 280 CFM-56-5-S2 engines worth $1.1bn (£763m) for the A-340.

Up to now, IAE, which also includes MTU of West Germany, Fiat of Italy and three Japanese aero-engine groups, has put forward its V-2500 A-4 engine to fit the A-340.

The newly-proposed super-fan engine would however be considerably more efficient than the V-2500 A-4.

The A-340 is due to enter into service in mid-1992, with the short-to-medium range A-330 following about six months afterwards.

This depends, however, on the "green light" being given for the programme by the first quarter of next year.

Toyota and Mazda halt car output in Malaysia

TOYOTA MOTOR and Mazda Motor yesterday confirmed that they have temporarily suspended car production in Malaysia because of the impact of the yen's appreciation and shrinking sales, AP-DJ reports from Tokyo.

The moves, involving cars assembled from parts shipped from Japan, take effect immediately. Toyota and Mazda each operate a single plant in Malaysia.

Mazda said production would be halted throughout December and would presumably reopen in January.

Toyota, however, refused to divulge the duration of the company's production freeze, saying "it will not be that long."

Both companies said the strong yen has been driving up their prices in Malaysia, resulting in a substantial sales slump.

In Toyota's case, local production, measured in knock-down exports, was sufficient to build 4,500 units during the first 10 months of this year, down 82 per cent from the year-earlier period. An official said Toyota exported parts to build 26,135 units in Malaysia last year.

Last year, Mazda exported knockdowns for 14,510 units to Malaysia.

Mazda's and Toyota's sales have also been eroded by the locally-made passenger car — the Saga — built by the Malaysian-owned Proton or National Automobile Corp, with technical tie-ups from Mitsubishi Motor Corp.

According to industry officials, the vehicle has captured over 40 per cent of the market, selling 16,731 units i nthe first seven months of 1986, compared to 7,494 units in all of 1985.

By comparison, Toyota had a 11 per cent market share between January and July of this year, compared to 22.2 per cent in 1985. Mazda shrank to 3.6 per cent from 6.5 per cent.

Lufthansa decision crucial to long-range airliners battle

BY DAVID MARSH

IN THE long-running international poker game over the rival plans for new long-range airliners for the 1990s put forward by Airbus Industrie of Europe and McDonnell Douglas of the US, the players are keeping their cards close to their chests.

One important influence on which of the two suits turns up trumps could stem from the office at Frankfurt airport of Mr Reinhardt Abraham, vice chairman and chief technical executive of Lufthansa, the West German national carrier.

Mr Abraham has been the driving force behind the airline's persistent requests during the last few years to Airbus Industrie to come up with a new long-range airliner suitable for Lufthansa's needs.

Lufthansa is only a few weeks away from making a decision which could have a crucial bearing on Airbus Industrie's future programme.

After months of tortuous negotiations with international airlines as well as with the European governments being asked to put up funds for the venture, Airbus is inching towards a decision in the new year to develop the long-range four-engine A130 proposed to come into service in mid 1992.

Airbus is competing however with a rival proposition from Douglas Aircraft, McDonnell Douglas's commercial jet company, which is proposing a similar long-range airliner, the MD-11. A derivative of Douglas's long-serving DC-10, the MD-11 would be available in the market earlier, from 1990 onwards, but would enjoy far fewer new-technology features compared with the A-340.

Mr Abraham, who is looking to buy for Lufthansa between 20 to 25 long-range airliners to replace ageing DC-10s and also to allow for future growth and more diversity on its long-distance routes, has had the competing offers from Airbus and Douglas on his desk since the beginning of October.

"We are studying the offers intensively, and we hope to come to a decision by the end of the year," he says.

Lufthansa is among the dozen or more international airlines which are studying both the A-340 and MD-11 aircraft. Swissair, which has a similar requirement to Lufthansa for long-range airliners, is also looking at proposals from both manufacturers.

The decision of Lufthansa and other carriers over the next few months will have a vital effect on whether or not European governments put up hard cash for Airbus's future development. Developing the A-340 and its "sister" aircraft, the short to medium range twin engine A-330 planned to have the same wings and a slightly extended fuselage, will cost at least $3bn.

The French, West German and British governments are well aware that existing Airbus projects are a long way from breaking even.

London and Bonn have both indicated their support for any possible tie-up with McDonnell Douglas which would allow Airbus to continue its A-330 and A-340 projects with help from the US company to penetrate the all-important American market.

Mr Abraham, who is clearly aiming to get the best possible deal for Lufthansa, says that international airlines themselves want clarity over which programme—the A-340 or the MD-11—is likely to end up the stronger.

"A certain number of minimum orders is needed to guarantee a launch base. There is room for only one producer to build a (long-range) aircraft with a good economic outlook. Since we have a market for only one manufacturer, hopefully if a lot of airlines choose one model, then the other (manufacturer) would withdraw."

Mr Abraham denies that its major shareholder, the West German Government, which owns 74 per cent of its equity, will have any influence over the decision to buy Airbus or the MD-11.

But he says: "With aircraft of equal quality, or where Airbus is superior, we will choose the European product. This is not because the Government tells us, but because we earn our money in Europe and it's fair to support our region."

An important factor influencing the final Lufthansa choice will be the range the airline can get out of each aircraft under consideration. Douglas is offering an extended range MD-11, scheduled for delivery in 1991, which would allow 220 passengers to be carried over 7,000 nautical miles.

The A-340 on offer would carry more passengers—somewhat in excess of Lufthansa's requirements—over a slightly shorter distance. The range would be 6,800 nautical miles with the Franco-American CFM-56-5 S2 engine, and 6,300 nautical miles with the current International Aero Engine (IAE) V-2500 motor, Mr Abraham says.

Cairo seeks to boost search for oil

By Tony Walker in Cairo

EGYPT IS offering new oil production sharing arrangements to encourage exploration levels at a time of poor returns due to the collapse of the oil market.

Mr Salah Hafez, a vice chairman of the Egyptian General Petroleum Company, has unveiled a new formula that increases a foreign contractor's share of profit oil in a project's early stages.

Under existing agreements 40 per cent of oil discovered goes towards cost recovery, while the balance, so-called profit oil, is split on about an 80-20 basis.

The formula applies to new agreements for exploration and development in Egypt's promising Western Desert oil province.

The new arrangement will give the foreign company at least a 50 per cent share of profit oil until the capital invested has been realised.

In addition, Egypt has abandoned its requirement that a "strategic reserve" of 12 trillion (million million) cu ft of gas be established before foreign companies are permitted to participate in developing gas fields.

More Israeli, US link-ups urged

By Andrew Whiteley in Jerusalem

MORE JOINT ventures between Israeli and US companies should be established as a means of expanding into new markets in the US and third countries, government officials from both countries have agreed.

The officials were meeting in Jerusalem this week to review the year-old Free Trade Agreement between Israel and the US, which will gradually abolish all barriers to bilateral trade by 1995.

Although there has been no dramatic leap in US/Israel trade since the agreement came into force in September 1985, the US has now overtaken the European Community as Israel's largest market. Last year the US took 34 per cent of Israel's exports, compared with 32 per cent which went to the EEC.

Despite the weakening of the US dollar, in the first nine months of 1986 Israeli exports to the US climbed by over 25 per cent to $1.9bn (£1.3bn) compared with $1.5bn in the same period last year.

Mr Ariel Sharon, Israel's Industry and Trade Minister, has called on the US government to help facilitate greater private American investment in Israel through the provision of long-term credit and other types of support.

New foreign investment in Israel has dwindled to insignificant levels in recent years. But now that the raging inflation of the past has been curbed, and the economy has been stabilised, renewed efforts are being made to attract foreign capital.

Indirectly acknowledging that problems in dealing with the Government had previously deterred many interested investors, Mr Sharon said that steps were being taken in his ministry to overcome bureaucracy.

"Every (potential) foreign investor will get an answer," he declared, claiming that he had personally met all those who had expressed an interest.

The initial reaction of US officials to the Industry Minister's appeal for assistance in reversing this trend was that they would prefer to leave contacts to the private sector. The weak dollar was, however, cited as a disincentive.

US companies are among those believed to have expressed an interest in Israeli government-owned concerns on a short list for being sold off to the private sector.

Approximately 140 US companies are currently either participating in joint ventures or else have direct investments in Israel, for a total value of $600m.

Nissan suffers 20% fall in Japan's output

By Ian Rodger in Tokyo

NISSAN MOTOR, Japan's second largest motor manufacturer, suffered a record 20 per cent fall in vehicle production in Japan last month, as the effects of the high yen and stiff competition continued to hit sales.

The company, which recently announced an operating loss for the half year to September 30, said exports to the Middle East and Asian countries were especially hard hit.

Nissan has also been affected by the progress made this year by Toyota, the market leader, towards its goal of achieving a 50 per cent share of the domestic market.

Nissan's vehicle output in the six months to September was down 8.3 per cent to 1.15m units, but last month it tumbled to 170,175 units, 20 per cent lower than in October 1985. By contrast, Toyota's output was flat last month at 337,632 units.

US deal for Stanley Electric

STANLEY ELECTRIC, the leading Japanese maker of electrical components for motor vehicles, has set up a joint venture in the US with Kyokuto Boeki, the Japanese trading company, to produce semiconductors and electric equipment for cars.

The new company, I. I. Stanley, plans to invest $10m (£6.9m) in a new factory at Battle Creek, Michigan, which will serve US automotive and electronic equipment makers.

Stanley already has a factory in the US, built in Ohio in 1979 to supply electrical equipment to a nearby Honda plant.

Stanley said the new venture, in which it has a 70 per cent interest, will begin operation next May producing electrical equipment for Mazda USA and DSM (Mitsubishi-Chrysler).

Subsequently, it hopes to supply to US manufacturers and Toyota's US plant.

Fiat offshoot and Hitachi in excavator venture

BY JOHN WYLES IN ROME

FIATALLIS, the Fiat group's construction machinery offshoot, and Hitachi yesterday announced the creation of a joint-venture company for the production and marketing of a new line of hydraulic excavators.

The new company, Fiat-Hitachi Excavator, will be 51 per cent owned by Fiat and 49 per cent by the Japanese company and its forecast turnover will be $180m (£125m) a year.

The agreement, reached after eight months of negotiations, will mark the arrival in Europe of a second major Japanese manufacturer of earth-moving equipment in competition with Komatsu which is building a plant in Britain next year.

According to the announcement from Turin yesterday, the joint venture will produce 2,500 units a year of a new line of hydraulic excavators and loaders at the Fiat-Allis plant at San Mauro near Turin.

Some $50m will be spent on installing robotic and computer-controlled equipment for producing seven basic models of track-propelled excavators and three-wheeled models.

The agreement reflects a major adjustment by both companies to changing political and commercial conditions. Japanese manufacturers of excavators have had to deal with anti-dumping duties imposed by the EEC in 1984, as well as problems imposed by the stronger yen.

Partners back Peat Marwick McLintock deal

BY HUGO DIXON

THE UK partners of Peat Marwick and KMG Thomson McLintock, the accountancy firms, have agreed to the merger announced in principle in September. They are the second national group of partners to approve the merger which will create the world's largest accountancy firm, following agreement by the US partners of the two firms last month.

The next step is for the firms' joint international steering group to formalise the merger. This is expected by January 1, after several more countries have given their approval. The steering group is meeting in the US today to discuss the state of play and develop a joint marketing strategy.

Neither Peat Marwick nor Thomson McLintock would give details of how the voting went, but both said the respective majorities of 75 per cent and 80 per cent needed were comfortably achieved.

Mr John Adcock, managing partner of Thomson McLintock and destined to become one of the two deputy senior partners in the merged firm, said he hoped the decisive votes in the UK and the US would "encourage the others."

If the international merger goes according to plan, the UK firms will start operating together under the name of Peat Marwick McLintock from April 1. In the intervening period, various practical issues have to be ironed out, said Mr Jim Butler, senior partner of Peat Marwick and the designated senior partner of the new firm.

The most important of these, he said was office accommodation. In most cases, it would not be possible to move the two firms into one building immediately, but he did not think it would be right to leave people where they were. For the merger to work properly, staff and partners would have to be combined.

Working practices would also have to be harmonised. However, Mr Butler did not envisage any major culture clashes in doing this.

Peat Marwick has 259 partners and 42 offices in the UK and had income of £114m in 1985–1986. Thomson McLintock has 148 partners and 22 offices, and had income of £52m in 1985–1986.

MINISTER PREDICTS SUSTAINED UNEMPLOYMENT IMPROVEMENT

Long-term jobless trend 'reversed'

BY IVOR OWEN

GROWING OPTIMISM among senior ministers that the Government will be able to claim a sustained improvement in the unemployment situation at the next general election was reflected in a buoyant speech by Lord Young of Graffham, the Employment Secretary, in the House of Lords last night.

Taking the unusual step of anticipating the December unemployment figures, he told peers: "It will be seen that we have reversed the continuing long-term trend in unemployment and it will soon be going down." Lord Young admitted: "Unemployment is still far too high and remains our most important challenge."

He strongly questioned promises made by Labour leaders that they would be able to reduce unemployment by 1m within two years of taking office and contended that, on a comparable basis, 2.3m new jobs would have had to be created since 1983 instead of the 1m achieved in the notably better business climate resulting from current policies.

Lord Young maintained that Labour's proposals for creating "non-jobs" in the public sector would reduce its efficiency and harm the economy.

He gave a warning that many large companies were still looking for reductions in their labour forces so that they could become more competitive and underlined the need for continued growth in new companies.

Lord Young said: "We need large firms but we need a steady growth of new firms to provide the large firms and steady employment for the future."

Having just completed his third trade mission to China he felt fully confident, for the first time, that "we can compete."

British companies were winning business, meeting quality requirements and delivery dates – and this had not always happened in the past.

Revival under way, Page 7

BT goes to foreign microwave suppliers

BY DAVID THOMAS

BRITISH TELECOM (BT) has been forced to go to foreign suppliers for the next generation of digital microwave equipment, an important part of the BT network, because British manufacturers are unable at present to make the equipment.

BT has just awarded four contracts which will allow it to try out the latest equipment for its microwave network which sends radio beams carrying voice and data for long distances across country.

The latest equipment to be tested by BT uses a technique, known as 64 QAM, which increases the capacity of each band by about 33 per cent.

The four trial contracts are worth £1.5m, but companies which are successful in the trials are likely to be in the running for larger contracts. The trials are to be completed in about a year's time and further orders could be made in 1988.

Two of the four companies awarded trial contracts are British: GEC and STC. However, they are offering equipment which is essentially made by non-British companies.

GEC will be using equipment made for it by Northern Telecom of Canada. STC is adapting equipment made by Fujitsu of Japan.

The other two companies offered trial orders are Telettra of Italy and NEC of Japan.

It is understood that BT has not previously given significant orders to Fujitsu, Telettra or NEC.

BT considered only two other possible bidders for the contracts – Siemens of West Germany and a joint venture between AT&T of the US and Philips of the Netherlands – but decided their products were not sufficiently developed for its needs.

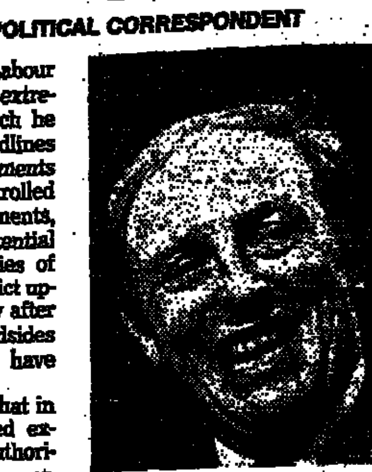
BT, which has been under some criticism for increasing its imports since its privatisation, stressed it preferred to buy British equipment, but there was none available.

It hopes that more of the microwave equipment might be made under licence in Britain by the time it places larger orders.

One reason why BT needs microwave equipment carrying more calls on each band is that there is growing competition for use of the limited radio frequency spectrum.

Kinnock condemns Labour extremists for harming image

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT



Neil Kinnock: "A great blanket of distractions"

MR NEIL KINNOCK, the Labour leader, yesterday attacked extremists' left-wing councils which he claimed attracted lurid headlines and obscured the real achievements of the majority of Labour controlled local authorities. His comments, which acknowledge the potential electoral damage the activities of extremists' councils could inflict upon Labour, come immediately after repeated Government broadsides aimed at what ministers have dubbed the "loony left."

The Government believes that in exploiting the well publicised excesses of a number of local authorities it has found a major weapon with which to attack Labour in the run up to the next general election.

Mr Kinnock told a meeting of the Parliamentary Labour party attended by nearly 90 MPs that the sensationalism attached to the actions of a few councils obscured the efforts of most of the Labour movement at local level.

He said many Labour councils were working under near impossible conditions to turn their policies into practice and the credit due to them was obscured by extremism. He added "It simply proves yet again that the greatest enemy of radicalism is zealotry. When idealism is made to look like extremism it is the ideals that are discredited."

Mr Kinnock said Labour had to make sure that its real ideas and real policies were not "blotted out by a great blanket of distractions which the enemy will be glad to exaggerate and thicken until it smothers achievements and alternatives."

The Labour leader also embarked on a wide-ranging attack on Government policies. He said the Tories' economic policy was in total disarray with ministers hoping they could spend enough to win the election and praying that no one would notice that the economic situation was deteriorating. Forecasts about economic growth, continuing low inflation and the balance of payments deficit were all "fantasy."

Mr Kinnock said the Government's defence policy depended entirely upon building a ballistic system which President Reagan and Mr Gorbachev now wanted to reduce. Similar to the Alliance defence policy, it carried the seeds of its own destruction.

He said that Britain now had to decide whether it went further down the nuclear tunnel or developed an alternative and credible security system. Labour, he emphasised, intended effectively to defend Britain and to make a proper contribution to Nato.

● Peter Riddell writes: The British people will not have any truck with socialism after two more Conservative election victories, the Prime Minister Mrs Thatcher said yesterday.

In an interview on ITN's News at One programme Mrs Thatcher expanded on one of the themes in her FT interview yesterday. She hoped the Tories would win the next election with a good majority and the following one.

"By that time the spread of ownership will be much wider, people will have got used, once again, to freedom and a responsible society and I don't think that they would have any truck with socialism. You see, it goes further and further towards an East European kind of society."

Royal Dutch/Shell chief encouraged by prospects

BY MAX WILKINSON, RESOURCES EDITOR

THE PROSPECTS for the oil industry are encouraging in the long term, in spite of the sharp fall in crude prices this year, Mr Jan Choufoer, a managing director of Royal Dutch/Shell said in Glasgow yesterday.

However, he emphasised the need for big cost cutting by those companies which hoped to remain in business to take advantage of the better times ahead.

He said the latest agreement of the Organisation of Petroleum Exporting Countries (Opec) would be capable of stabilising the oil market if members adhered to the production quotas allocated to them.

But even without production restraints, the oil market would be basically self-stabilising, Mr Choufoer told the 1986 West of Scotland conference on "Challenges and Opportunity Offshore."

He said: "The oil supply overhang that brought about the collapse in oil prices is, in time, inherently self-correcting. The lower the oil price, the sooner will reduced supply and increasing demand combine to absorb the overhang."

Supply would be reduced by the closing of high cost production, postponement of new development projects and reduced maintenance of oil installations.

Mr Choufoer said that in the present period of depressed oil prices it was highly important that the impetus of research and development should continue.

This has recently been a major theme for Shell's top management, which is now making intensive efforts to find better and cheaper ways of producing oil as an alternative to extending development in the highest cost areas.

UK NEWS

Lawson says recovery is well under way

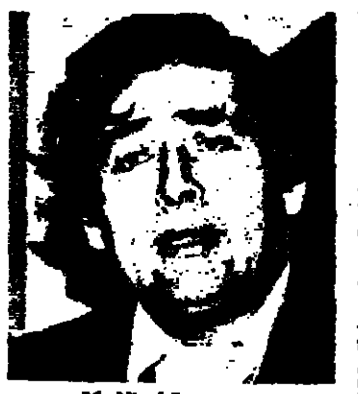
BY PETER RIDDELL, POLITICAL EDITOR

THE PICKUP in the British economy was "already well under way," Mr Nigel Lawson, Chancellor of the Exchequer, argued yesterday. This followed new figures showing a 1 per cent rise in total output in the third quarter over the previous three months.

The latest Gross Domestic Product (GDP) figures, suggest that total output between July and September this year was about 3 per cent higher than a year ago. Addressing the House of Commons on the final day of the debate on the Government's forthcoming legislative programme, he said he expected growth of a further 3 per cent next year.

Mr Lawson pointed to an improvement in manufacturing productivity after a short pause, with the result that the annual rate of growth in unit labour costs was slowing from 8 per cent in the first half of this year to about 4½ per cent in the third quarter. That was still too high, he said, but "it is getting better."

Mr Lawson was accused of complacency and of engineering a pre-election boom by Mr Roy Hattersley, Labour's Treasury spokesman, and by Dr David Owen, the Social Democratic Party leader. Mr Hattersley said the Government no longer had a long or medium-term strategy, just short-term electoral tactics.


Mr Nigel Lawson

Dr Owen said there was the prospect of "a very serious economic crisis after the election" if the Conservatives won again. That would require corrective action.

However, in an interview on independent television, Mrs Margaret Thatcher, the Prime Minister, sought to dampen election speculation. She said, "I don't believe in dashing into an early election. We have a good majority." She said that people expected the Government to carry out the main part of its programme and she hoped the new legislative programme would be carried out.

Mr Lawson announced that the new personal equity plans scheme would begin on January 1 next year. Draft regulations were laid before parliament yesterday.

He said that the Inland Revenue had already received more than 100 applications from firms who want to run such plans, among them each of the four main commercial banks and more than 30 firms of stockbrokers.

The scheme, announced in the March budget, allows adults to subscribe cash of up to £2,400 a year to a plan, with no need for record keeping or dealings with the Inland Revenue; capital gains and reinvested dividends will be completely free of tax.

Mr Lawson reiterated his objective that in the coming 1987–88 financial year, public sector borrowing would not be allowed to exceed the 1¾ per cent of GDP indicated in the medium-term financial strategy.

He also repeated the objective of reducing the proportion of national income taken by the public sector. He stressed that short-term interest rates were the key instrument of monetary policy and said they would continue to be kept at whatever level is necessary to secure monetary conditions that bear down on inflation.

Production industries output up 1.5%

BY JANET BUSH

THE 1 per cent increase in the output measure of GDP was well above most City of London forecasts.

Contributing to the rise was increased manufacturing output and a jump in oil and gas extraction as well as growth in the distribution sector against a background of strong consumer demand.

Output of the production industries rose by about 1.5 per cent between the second and third quarters; service industries' output was up by about 0.75 per cent and there was a further 2 per cent rise in distribution.

Officials take a cautious view of the oil and gas extraction component of industrial output which rose 6.3 per cent in the quarter. They note that this figure had probably been inflated by erratic seasonal influences as production had not been depressed as much as usual in the third quarter this year by North Sea maintenance programmes. Officials noted that the rest of the energy sector remained weak.

The provisional estimate of GDP growth has been revised in the second quarter. The output index (1980=100) had originally been set at 112.9 but was revised up to 113.2, so showing a rise of about 0.8 per cent rather than 0.5 per cent.

The index shows that output-based GDP has now been rising at a steady rate since the flat period at the beginning of 1984.

Stockbroker in Lloyd's link-up

BY NICK BUNKER, INSURANCE CORRESPONDENT

STURGE HOLDINGS, one of the most powerful underwriting groups at Lloyd's of London, made a surprise announcement yesterday that it plans to take over Wise Speke, the Tyneside-based stockbroker.

If completed, the deal would make Sturge the first Lloyd's underwriting agency ever to acquire a London Stock Exchange member firm, both parties said.

Wise Speke would retain managerial autonomy, but become a wholly-owned subsidiary of Sturge, they said in a jointly agreed statement.

The news represents one of the most intriguing moves so far in the recent realignment of the UK's securities firms. Provincial brokers have been seeking extra resources to cope with the Big Bang changes in the London stock market, either by forming joint ventures or by becoming subsidiaries of large conglomerates.

Mr David Coleridge, Sturge Holdings' chairman and himself a Wise Speke private client, said friendly talks had been under way for several months since he made a personal approach to a Wise Speke partner.

Sturge's key motive was the need to diversify beyond the insurance field, the company added. Mr Peter Rawlins, Sturge Holdings' chief executive, said there were "areas of potential synergy" between Sturge and Wise Speke, which both provided financial services for wealthy individuals, but that was not the reason for going ahead. Sturge plans however to recommend Wise Speke to its existing clientele of Lloyd's underwriting members (or "names").

Sturge currently acts as a members' agent managing the affairs of 1,790 Lloyd's names. It also manages 16 Lloyd's syndicates with a 1986 premium income capacity of about £900m.

New cable franchises will be advertised

By Raymond Snoddy

THE Cable Authority plans to advertise a number of new cable television franchises in the new year as signs increase of growing investment interest in the industry.

The authority is now in various stages of discussion with 10 groups interested in applying for new franchises.

A year ago the authority, the body which regulates the cable industry, decided to postpone the advertising of new franchises because too many of those already awarded franchises had not raised their finance.

"There is a much more positive attitude now," says Mr Jon Davey, director general of the Cable Authority.

"We see it in the growing confidence of cable operators who are increasingly talking about expansion. There is also increasing activity on new franchises," he said.

In its first annual report published yesterday the chairman of the Cable Authority, Mr Richard Burton, said it was foolish to doubt the long-term prospects for cable because its initial development had not been faster.

"The question is not whether cable will develop but when," Mr Burton said.

Eight new broadband cable systems capable of carrying up to 30 channels of television were now operational and a further 14 franchises had been awarded.

By October 1 almost 180,000 homes were subscribing to cable television out of the 1m who could if they wanted to. Market research suggested that subscribers spent about 40 per cent of their viewing time watching cable rather than broadcast television.

The fact that 10 British programme channels were now available demonstrated, the authority argued, that early fears that cable would merely suck in a diet of cheap programmes from the US had been exaggerated.

The authority warned that with 20 of the 15 and 23-year franchises already awarded, those who come late to cable might find the best areas no longer available.

"Those who have the courage of their convictions at this early stage can expect to reap the benefits," said the authority, which has a permanent staff of only nine.

● Mr Robert Maxwell, the British publisher, confirmed yesterday that he is part of a joint venture to bring MTV, the 24-hours a day music channel to the UK and the rest of Europe. The partners in the joint venture are Mirror Group Newspapers, British Telecom and MTV Networks, a subsidiary of Viacom International, the American communications and entertainment company.

Michael Donne reports on a competition to provide the US Navy with aerial surveillance

Airship Industries hopes for $2bn take-off

AIRSHIP Industries, the UK-based manufacturer of lighter-than-air craft, in conjunction with Westinghouse of the US, is now polishing up its "best and final offer" in a competition to provide airships for the US Navy that could result in orders worth $2bn.

The Navy wants to buy airships for "airborne early warning" – providing stable aerial platforms that could remain aloft for long periods and in all weathers above the fleet at sea, to detect the approach of enemy supersonic sea-skimming missiles.

It wants enough airships to keep a number permanently airborne to protect surface warships.

Apart from being the biggest airship contract ever awarded (the Soviet Union uses airships, but it is doubtful if it has spent so much on a comparable venture), it would substantially improve the long-term commercial prospects for such lighter-than-air craft.

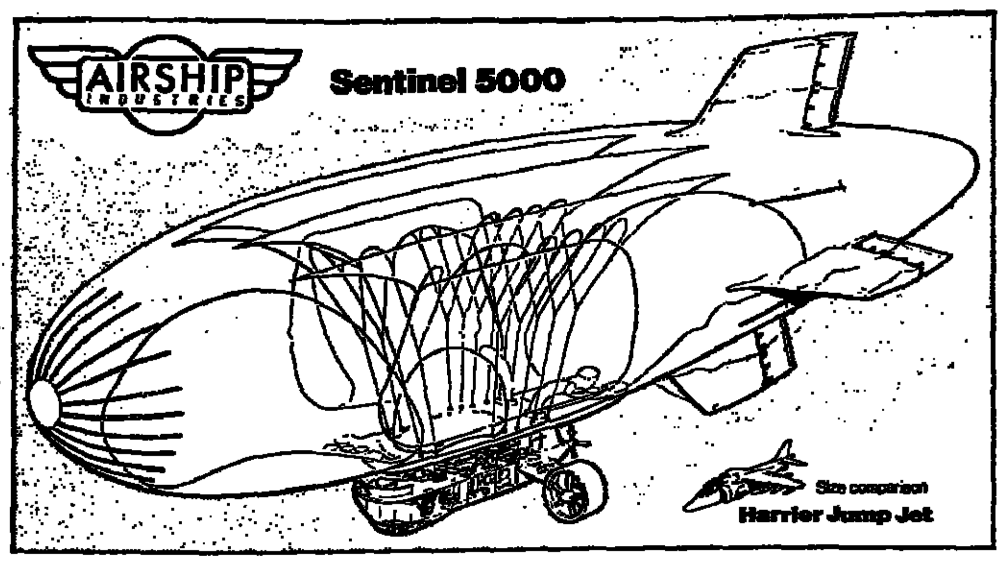
The revival of interest in commercial airships over recent years, especially through Airship Industries' own Skyship 500 and 600 series of craft, which have been widely used for advertising, tourist sightseeing and as TV platforms, has not yet extended to the construction of large passenger and cargo craft.

A big US Navy order could change that situation, because of the stimulus it would give to the development of advanced materials and techniques in airship construction. It could also stimulate much interest from other countries' armed forces for lighter-than-air craft for similar roles, and from commercial organisations.

The US Navy's researches have shown that only a large fleet of airships can do the airborne early-warning job cost-effectively. Fixed-wing aircraft, either jet or turboprops, would be far more expensive to operate, requiring either large aircraft-carriers at sea, or nearby shore bases, to support them.

Airships, on the other hand, would be cheaper, capable of being operated off small ships, and capable of remaining airborne for long periods of time. As a result of its researches, the Navy some time ago launched its Naval Airship Programm (NASP).

Originally in response to the Navy's requests, three companies were shortlisted – Boeing (which eventually withdrew, although it is watching what goes on closely); Goodyear of the US, which has a long history of airship manufacture, especially for the US Navy; and Airship Industries of the UK, which has linked with Westinghouse of the US to form Westinghouse-Airship Industries, or WAI, to fight for the US Navy contract.



Westinghouse has also had a long experience of building lighter-than-air craft, through its subsidiary, Westinghouse TCOM, which for years has built tethered aerostats (or balloons) for radar purposes for surface vessels.

This has given it much experience in developing fabrics for airship envelopes of long endurance and minimal maintenance. Westinghouse itself has also developed the TPS-63 radar which would be used in naval airships.

Airship Industries, in which the Australian Bond Corporation is the biggest single shareholder, has also been building airships for some years, with 10 craft now flying in the Skyship 500 (6-passenger) and 600 (12-14 passenger) series, and two more craft about to be delivered.

Their joint company, WAI, has bases in both the US and UK and has already begun building a "ground test vehicle," called Sentinel 5000, for the Navy's evaluation.

The competition however, is formidable, for Goodyear of the US has built over 300 airships over past years (which it calls Blimps), and is currently working on a major new craft, the GZ-22.

Both group's proposals were submitted to the US Navy some time ago. December 5 is the target date for a Navy request for "best and final offers," and both groups are now busy refining their proposals to meet that deadline.

The Navy is due to announce the winner some time between December 15 and December 30. The initial reward will be a contract worth about $200m for development of prototype airship, complete with all necessary avionics systems.

Mobil to make final appeal on tax ruling

By Raymond Hughes, Law Courts Correspondent

MOBIL North Sea is to make a final appeal to the Law Lords against rulings that expenditure incurred in its operations in the Beryl Field did not qualify under a provision reducing liability to petroleum revenue tax (PRT).

Three Court of Appeal judges yesterday unanimously rejected Mobil's appeal against a High Court decision last November that the expenditure had not been incurred under a contract entered into before January 1 1981, the cut-off date for tax-reducing supplements introduced by the 1981 Finance Act.

The effect of the rulings is that Mobil is liable to pay PRT at 70 per cent on £32.8m instead of on £28.2m. Recognising the importance of the case to other North Sea operators, with potential PRT liabilities totalling about £54m, as well as to Mobil, the appeal judges gave Mobil leave to challenge their ruling in the House of Lords.

PRT is levied on oilfield receipts, calculated as the net cash flow to the field owners after deduction from the gross cash flow of the cost of establishing the field, plus a margin over the actual costs.

The tax-reducing supplement – in effect, a percentage increase on the costs incurred – was introduced by the 1975 Oil Taxation Act to be added to the costs before a net cash flow was achieved.

The 1979 Finance (No 2) Act reduced the percentage from 75 per cent to 35 per cent; the 1981 Finance Act removed the supplement but provided in section 111(7) that "expenditure ... which is incurred before January 1, 1983 in pursuance of a contract entered into before January 1, 1981" should not be disqualified from supplement.

The court case concerned £45m paid by Mobil for "topside modules". Mobil argued that the expenditure had been incurred as a result of a July, 1979, contract under which Bechtel Great Britain agreed to design and procure a drilling platform for Mobil.

The Revenue contended that it had been incurred out of contracts made by Bechtel, as Mobil's agent, with other companies in April, May and June, 1981.

Accepting the Revenue's argument, Lord Justice Lawton said that the modules were clearly acquired under the contracts Bechtel made as Mobil's agent after January 1, 1981.

Bechtel would not have made those contracts but for its obligations and rights under the 1979 contract. That contract was the reason the asset acquiring expenditure was incurred but it was not incurred in pursuance of it.

Tax rules for N. Sea to tighten

Financial Times Reporter

THE GOVERNMENT last night signalled its intention to introduce a tighter tax regime into the market for North Sea oil, which has recently seen a spate of paper transactions for individual cargoes which are never delivered.

This is one of the aims of amendments to the system of assessing oil companies for Petroleum Revenue Tax (PRT), announced by Mr Norman Lamont, Financial Secretary to the Treasury.

The new rules, to be incorporated in the 1987 budget, have also been prompted by the uncertainties in the present North Sea oil market compared with the situation prevailing in the 1970s, when the present rules were introduced.

Mr Lamont, in a written parliamentary answer, said that the legislation was aimed at putting valuation of oil for PRT on "a more certain and appropriate basis."

A related measure would determine the basis of PRT liabilities for Brent oil sold at arm's length, "where the number of deals done can result in the same cargo of oil being sold many times over."

When oil or gas is not sold at arm's length, as when a producing company simply sells to a refining company in the same group, PRT is charged on the "market value" of the fuel under rules drawn up in 1975. But the Government claims that in the present oil market these rules are no longer appropriate and need changing.

Welsh unemployment blackspot will stage garden festival

FINANCIAL TIMES REPORTER

JOB-HUNGRY Ebbw Vale, in South Wales, yesterday celebrated its successful bid to stage the National Garden Festival – and the chance of some work.

The £30m project, to be held in 1992, should bring 4,000 jobs – more than 2,000 of them permanent, say jubilant planners.

"We intend to make our valley the flagship for the rest of South Wales. This festival's importance to the lives of families in our community cannot be over-estimated," said a delighted Mr Brian Scully, mayor of Labour-controlled Blaenau Gwent Council.

"Now we have been given a chance, we can show people what we can really do."

His town has lost 16,000 jobs in the last decade – most of them with the closure of the steelworks, the first major plant to be hit in Britain.

Now the festival and its layout of gardens and theme parks will be built on the 200-acre derelict steelworks site. On average, one man in four is without a job, but in some parts of the borough the unemployment rate is 45 per cent.

Many former steel workers have been unemployed for more than 11 years and have been joined recently by miners from closed collieries. Now they should be in the forefront for jobs to build and run Britain's latest tourist attraction.

Local authorities hope their plans for garden and permanent tourist attractions on 180 acres at Victoria Heights will provide more than 2,000 jobs.

The successful bid, confirmed by Mr Nicholas Edwards, Welsh Secretary, beat rival applications from Cardiff, Swansea and Deeside.

It will be the fifth garden festival in Britain and the first in Wales. Among attractions will be a cable car ride up the side of the Ebbw Valley to give breathtaking views of nearby mountains.

The first government-backed garden festival attracted nearly 3.5m visitors to Liverpool in 1984.

TV franchises extended

BY RAYMOND SNODDY

THE GOVERNMENT will publish a Bill today to extend the franchises of the 15 British independent television companies by three years.

The Bill, in the form of an amendment to the 1981 Broadcasting Act was introduced in the House of Lords yesterday. It means that the franchises of the ITV companies are protected until January 1 1993.

At first the Government wanted a two-year extension of franchises to allow time for proper consideration of proposals in the Peacock Report advocating that franchises should be put up to auction.

The Independent Broadcasting Authority argued that the extension should be for four years. A three-year extension has been chosen as a compromise which will also give more time to assess the effects of direct broadcasting by satellite (DBS).

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCKS ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON THURSDAY, 20TH NOVEMBER 1986.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 18th November 1986, and has issued to the Bank, additional amounts as indicated of each of the Stocks listed below:

£50 million 2½ per cent INDEX-LINKED TREASURY STOCK, 2001
£50 million 2½ per cent INDEX-LINKED TREASURY STOCK, 2020

The price paid by the Bank on issue was in each case the middle market price of the relevant Stock at 3.30 p.m. on 18th November 1986 as certified by the Government Broker.

In each case, the amount issued on 18th November 1986 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax are described below. Copies of the prospectuses for the Stocks listed above, dated 20th August 1982 and 12th October 1983 respectively, may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA.

Application has been made to the Council of The Stock Exchange for each further tranche of stock to be admitted to the Official List.

The Stocks are repayable, and interest is payable half-yearly, on the dates shown below (provision is made in the prospectuses for stockholders to be offered the right of early redemption under certain circumstances):

Stock	*Redemption date*	*Interest payment dates*
2½ per cent Index-Linked Treasury Stock, 2001	24th September 2001	24th March 24th September
2½ per cent Index-Linked Treasury Stock, 2020	16th April 2020	16th April 16th October

Both the principal of and the interest on the Stocks are indexed to the General Index of Retail Prices. The index figure relevant to any month is that published seven months previously and relating to the month before the month of publication. The index figure relevant to the month of issue of 2½ per cent Index-Linked Treasury Stock, 2001 is that relating to December 1981 (308.8); the equivalent index figure for 2½ per cent Index-Linked Treasury Stock, 2020 is that relating to February 1983 (327.3). These index figures will be used for the purposes of calculating payments of principal and interest due in respect of the relevant further tranches of stock.

The relevant index figures for the half-yearly interest payments on the Stocks are as follows:

Interest payable	*Relevant index figure* Published in	Relating to
March	August of the previous year	July
September	February of the same year	January
April	September of the previous year	August
October	March of the same year	February

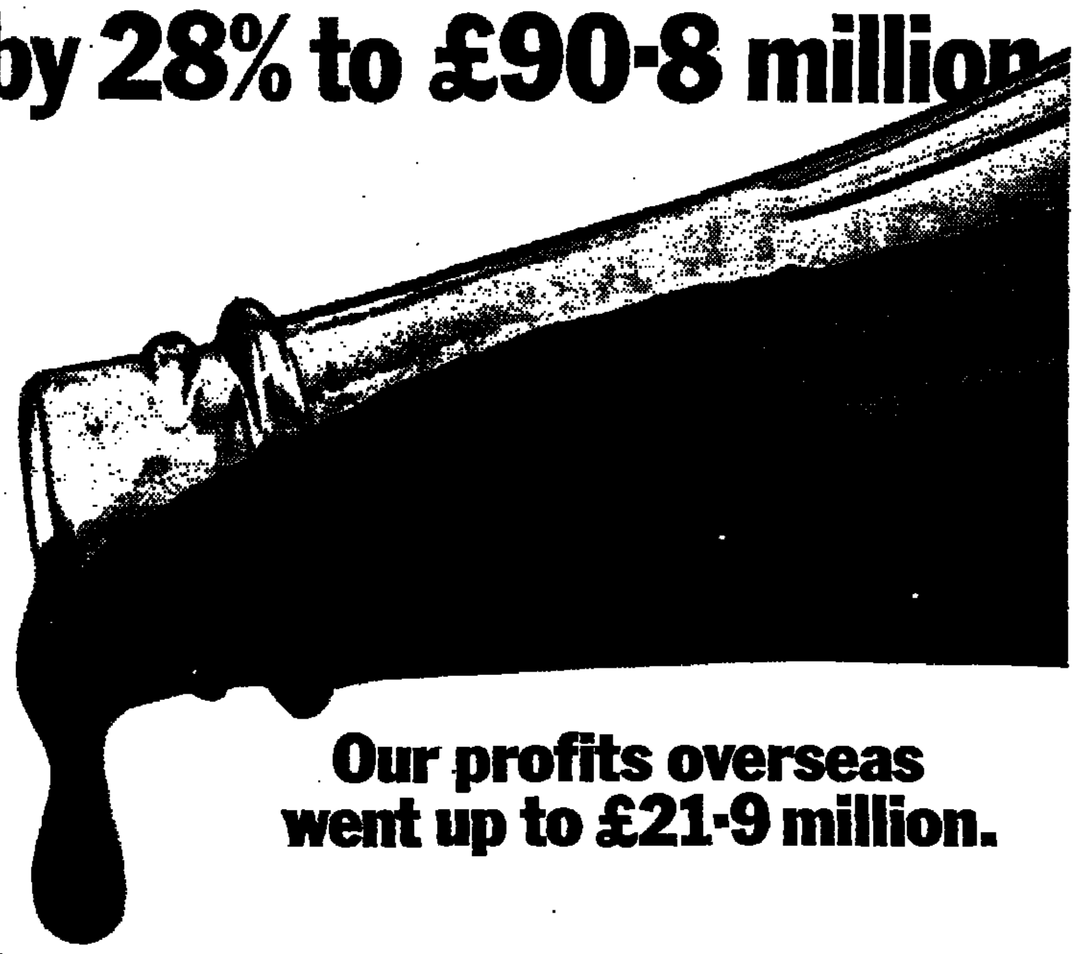
Each further tranche of stock issued on 18th November 1986 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock.

Each of the Stocks referred to in this notice is specified under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as a gilt-edged security (under current legislation exempt from tax on capital gains, irrespective of the period for which the Stock is held).

Government statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

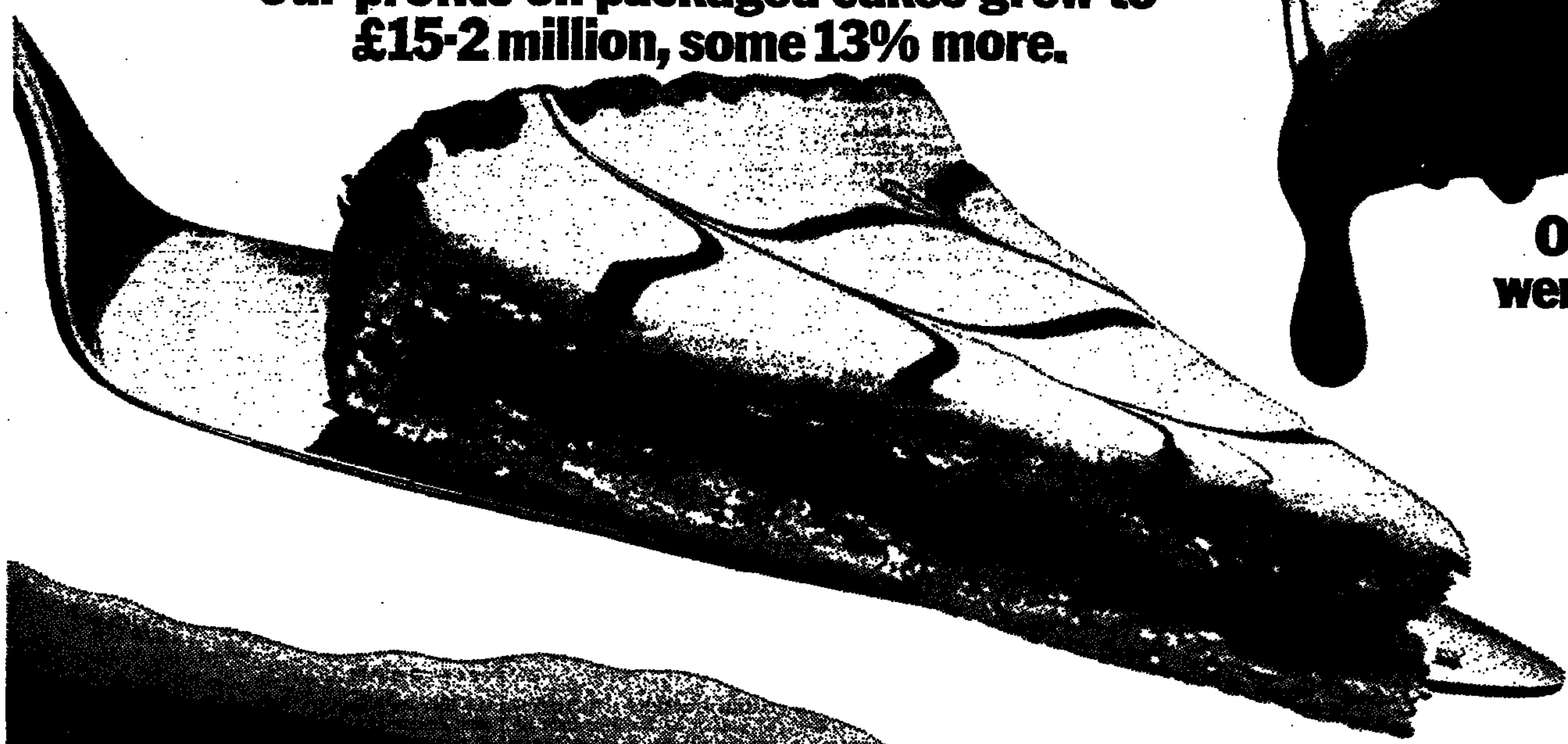
BANK OF ENGLAND
LONDON
18th November 1986

Ranks Hovis McDougall profits up by 28% to £90·8 million



Our profits overseas went up to £21·9 million.

Our profits on packaged cakes grew to £15·2 million, some 13% more.



Our profits from milling and baking rose to £35·4 million, an increase of 45%.

And our profits on groceries and food products increased to £25·2 million, up by 40%.

The Group's profit before taxation for the financial year to 30 August 1986 rose by 28% to £90.8m compared with £70.8m for the previous year. External sales increased from £1,314m to £1,414m.

This further substantial increase in profits over 1985 was due to improvements in all aspects of the Group's business. Mr Kipling, our packaged cake business, again produced excellent results. The Grocery division achieved record profits, helped by the development of new products, successes in its soft drinks business and recent acquisitions.

Our milling and bread baking interests jointly achieved profits considerably ahead of last year, within which British Bakeries produced results which amply justify the investment programme embarked upon some five years ago.

The General Products division, operating in such diverse markets as dairy products, mushrooms, chocolate, food mixes and pasta, showed further improvement and its growing retail catering operations recorded excellent results.

Results from our Overseas operations were ahead of last year with a return to encouraging profits from the United States. Profits emanating from the Pacific Region were likewise ahead, but in sterling terms, suffered from adverse exchange movements and were marginally down on 1985.

The directors recommend a final dividend of 4.49 pence per Ordinary share, an increase of 30 per cent over last year's final dividend.

With the interim dividend already paid, dividends total 6.61 pence per share, making an increase of 25 per cent in the total dividends for the year.

Chairman, Sir Peter Reynolds, said:–

Trading results for the first two months of our year are well ahead of last year and I expect this encouraging trend to continue.

RESULTS IN BRIEF	1986	1985
External sales	£1,414m	£1,314m
Profit before taxation	£90.8m	£70.8m
Funds employed	£532m	£512m
Return on funds employed	20.1%	17.0%
Net tangible assets per Ordinary share	£1.04	£0.95
Earnings per Ordinary share	20.7p	15.5p
Dividends per Ordinary share	6.61p	5.29p

RHM

RANKS HOVIS McDOUGALL PLC

The 1986 Annual Report will be available from 9 December. If you wish to have a copy please write to: The Secretary, Ranks Hovis McDougall PLC, P.O. Box 178, Alma Road, Windsor, Berks SL4 3ST.

UK NEWS

GOVERNMENT 'FOOLISH' IN ATTEMPT TO SUPPRESS SPY BOOK

Call for security services inquiry

BY MICHAEL CASSELL, PARLIAMENTARY CORRESPONDENT

LEADERS OF the Social Democratic Party (SDP)/Liberal alliance yesterday stepped into the row over the Government's handling of the MI5 secrets case in Australia. They called for the establishment of a House of Commons select committee with powers to examine in detail the operation of the British security services.

Dr David Owen, the SDP leader, and Mr David Steel, leader of the Liberals, said that the Government had been made to look foolish in its attempts to prevent publication of a book by a former MI5 agent.

They claimed that ministers had increasingly lost their sense of proportion over potentially sensitive intelligence issues and were seen not to have an acceptable way of handling them. Parliament they said, should be given a strengthened role to scrutinise, at every level, the budgets and the activities of Britain's security network.

Mr Steel said that there had been "too many spy scandals." Both leaders had consistently argued for the formation of a committee to oversee the country's security services and to provide continuity between governments.

In calling for what he described as a vital reform which would "let a little fresh air blow into the suffocatingly closed world of British intelligence," Mr Steel said a senior committee responsible to parliament would make the security services ultimately accountable to the whole nation.

Dr Owen emphasised his belief that Mr Peter Wright, a former MI5 officer and author of the book had done wrong, as had other civil servants who had broken the rules of confidentiality.

He said serious analysis of the intelligence services was necessary and that the time had come for parliament to invest its authority in selected senior members, who could scrutinise their activities. "The right way is to use the select committee procedure. We cannot just leave it to the Government."

Dr Owen added: "The Prime Minister allows books to be published which are favourable to the intelligence services, while books which are unfavourable are treated in a different manner. The chickens are now coming home to roost." He claimed that in most areas the Government was highly selective in what it chose to reveal. When it wanted to mislead, it misled, and when it believed it was in its best interests to give information, it would provide it.

David Owen: 'Chickens coming home to roost'

He added: "The Government is increasingly making an ass of itself. A book which would have received little publicity will now attract mass sales and be very well-read." Mr Steel, who said Sir Robert Armstrong, the Cabinet Secretary, had been sent on "a ridiculous mission" to Australia, suggested that any select committee which was set up could publish reports, although not necessarily including all the evidence given to it. Its activities would provide "a powerful check" on the security services and on what the Prime Minister was doing.

Mr Neil Kinnock, the Labour leader, yesterday attacked Mrs Margaret Thatcher's House of Commons performance on Tuesday, when her attempt to invoke the sub judice rule and prevent further discussion on the spy book trial was overruled by the Speaker (chairman).

He told the Parliamentary Labour Party that her performance was not the result of lack of understanding of House of Commons procedure or of foreign courts, but "one of character deficiency." Even when she had been given the opportunity to repair her error, she had not been adult enough to take it.

Mr Ian Gow (Conservative) yesterday unsuccessfully attempted to get the Speaker to reconsider his sub judice ruling. But, despite its difficulties in the Commons, the Government remains determined to treat the whole MI5 book affair as a security matter and one upon which, sub judice or otherwise, it will not comment.

Downing Street is making it clear that it believes the nation's security service must remain secure and that its secret service must remain secret. Employees past and present are expected to observe the injunction placed upon them not to divulge information. Any attempts to alter that position merely represent a spurious case for disclosure.

Car industry 'must adapt to new consumer habits'

BY JOHN GRIFFITHS

THE SELLING of cars in the UK must move closer to the "retailing revolution which is sweeping our high streets," Mr Graham Day, chairman of the state-owned Rover cars and trucks group, said yesterday.

Mr Day said that of all retail businesses, "its only the motor trade that, by and large, has not so far responded adequately to changed consumer attitudes and habits."

Praising retail group Marks and Spencer as "about the best to be found anywhere in the world" in terms of its supplier-retailer-customer relationship, Mr Day, who assumed the chairmanship of what was formerly BL in May, said Rover was seeking similar standards.

He warned a conference organised by *Motor Trader* magazine that car manufacturers "will rightly be looking for commensurate returns in distribution efficiency and customer satisfaction at the sharp end of the business."

Last year the UK motor industry spent £185m on media advertising, said Mr Day

This meant savings in manufacturing efficiency and costs "have been swallowed up by downstream costs. The industry is rapidly reaching a position where the cost of distribution and marketing is the fastest growing variable cost and is taking a larger and larger percentage of total expenditure". This could not be allowed to continue.

But Mr Day said there was now a tremendous opportunity for the industry to come back as an economic force.

Minister accuses MP of 'stealing silver'

BY IVOR OWEN

MR Nicholas Ridley, the Environment Secretary, was at the centre of a new storm in the House of Commons last night, when he accused Mr Tony Banks (Labour) of "stealing" valuable silverware which belonged to the now-defunct Greater London Council.

He eventually withdrew the charge after being urged to do so by the Speaker (chairman), Mr Bernard Weatherill, but pointedly declined to apologise for having made it.

Mr Banks, who was the final holder of the office of chairman of the GLC, has explained that the silver concerned is in a place of safekeeping pending the return of a Labour government and the creation of a new Londonwide successor body.

Mr Ridley touched off an explosion of anger on the Labour benches when he told Mr Banks: "I understand that you have been accused not just of selling the family silver but, it appears, stealing it."

The Speaker tried to lower the temperature by suggesting that the minister could satisfy his critics by rephrasing his comment to indicate that Mr Banks was "taking care" of the silver.

Mr Ridley responded by adopting the Speaker's formula but adding some embroidery of his own which still further infuriated the Labour benches.

He agreed to withdraw the stealing allegation and added that Mr Banks was taking care of the silver "just as someone took care of my silver two years ago – but he has not returned it yet."

Mr Banks rejected this qualified withdrawal as "quite unacceptable."

Fifteen no make that a dozen ways to save time in the office.

1. Matters that don't matter.

Do not waste time on trifles, for time is money.

The Texan billionaire Haroldson Hunt realised this and gave up smoking cigars in his office for the simple reason that, "I wasted $300,000 a year just in the time I spent unwrapping and lighting them".

Emulate Einstein's approach to trivial tasks. He used to wash and shave with the same soap, claiming that to use two kinds would "complicate life needlessly".

(You could take this a stage further by following Frederick the Great, who went years without washing at all — but only if you have an office to yourself.)

Be quick to spot when your time is being wasted. A young composer came to play the great Rossini two pieces he had written, in order to see which he preferred.

Half-way through the first piece, Rossini interrupted him. "You need not play any more," he said. "I prefer the other one."

2. Double time.

If you can do two things at once, so much the better.

Theodore Roosevelt conducted conferences while being shaved by the White House barber — and Catherine de Medici gave audiences on state business as she dressed.

It is unlikely, however, that you will match the dexterity of the playwright J. M. Barrie.

When he lost the use of his right hand, he practised writing with his left to keep up his work. Later, his right hand recovered — by which time he was so skilled with his left that from then on he used both at once, writing dialogue with his right hand and stage directions with his left.

There must be many people who would give their right arm for such a skill today.

3. The shortcomings of short cuts.

Occasionally you may find that you have to cut a few corners to get a job done on time.

The golden rule in such circumstances is simple: don't get caught.

One man who failed to get away with it was the composer and pianist Percy Grainger.

After he had given a rendering of Greig's 'Ballade' to an audience on Long Island, New York, he was accused of having shortened it. He had to admit it was true.

"I dropped six pages out of the middle so I could catch the 4.58," he said.

4. Pest control.

Taking your telephone off the hook and consigning your paging device to the depths of Britain's underground waterways will free you from many unwanted interruptions — but you will still have to deal with the inevitable plague of personal callers.

The best way of doing this was demonstrated by our ambidextrous playwright, J. M. Barrie.

A reporter once turned up uninvited on his doorstep and greeted him with, "Sir James Barrie, I presume?"

"You do," retorted Barrie, and shut the door in his face.

If such abruptness should strike you as being unacceptably rude, however, follow the example of John Ruskin, who forestalled unwelcome visitors by sending out the following circular:

"Mr. J. Ruskin is about to begin a work of great importance and therefore begs that in reference to calls and correspondence you will consider him dead for the next two months."

5. How to lick your bumf.

At the end of every working day, the British field marshal Harold Alexander would tip all the letters remaining in his In tray into his Out tray. Eventually, his assistant asked him why.

"It saves time," explained Alexander. "You'd be surprised how little of it comes back."

Yet this method of dealing with correspondence appears ultra-cautious when compared with that of Rita Hayworth.

A friend once found her working her way through a pile of letters, tearing up most of them unopened. "Stop!" he cried. "There may be cheques in there!"

"There are," replied Rita, unperturbed. "But there are bills too. I find they even up."

6. Kp yr ltrs as shrt as poss.

Procrastination, like all other long words, is the thief of time — and therefore to be avoided.

Similarly, there is no need for tautology, as it is quite unnecessary, while jargon is of non-positive utility vis-à-vis the temporal optimality of information-communication.

Aim instead for the brevity of this note sent by a schoolboy to his father:

"S.O.S. L.S.D. R.S.V.P."

(He was asking for money, incidentally.)

Or, if you are replying to a letter, bear in mind the Spartans of ancient Greece. They received a message from their enemies, the Athenians, which read:

"Unless you meet our conditions, we shall wage war on you and, if we defeat you, shall ravage your country, raze your cities to the ground, slaughter your menfolk and enslave your women and children."

The Spartans, being formidable warriors themselves, simply replied: "If…"

7. Brief briefings and short reports.

Reading and writing business reports can be a time-consuming affair — unless you are like Ike.

During his first term of office, Eisenhower appointed Arthur Burns as his first chairman of the Council of Economic Advisors.

At their first meeting, Burns suggested that he should send the president a memo outlining a plan for organising the flow of economic advice to the White House.

"Keep it short," said Ike. "I can't read."

"We'll get along fine," smiled Burns. "I can't write."

In the end, the two cut out the paperwork altogether by settling on a one-hour weekly conference of the council and president.

8. High-speed gas.

Meetings are without doubt the biggest waste of time in business life — for when all is said and done, there is always far more said than done.

Where possible, adopt the practice of Henry Ford, who used to visit his executives when a problem arose, rather than call them to his own office.

"I go to them to save time," he explained. "I've found that I can leave the other fellow's office a lot quicker than I can get him to leave mine."

Another way to speed up your meetings is to set strict time limits beforehand — whatever the importance of the person you are to talk to.

When the German Kaiser met Theodore Roosevelt after the funeral of King Edward VII, he asked him to call on him the next day "at two o'clock sharp — for I can give you only 45 minutes".

"I will be there at two," replied Roosevelt, "but unfortunately, I have just 20 minutes to give you."

9. Don't wait around.

Irving Thalberg, the U.S. film producer, was usually so busy that his working hours were double- or triple-booked — with the result that people often had to wait for hours in his ante-room before they could see him.

When the Marx brothers came to talk to him about 'A Night at the Opera', however, they refused to waste time just sitting around.

Groucho, Chico and Harpo each lit two fat cigars and began puffing smoke through the crack around his door.

Eventually Thalberg rushed out. "Is there a fire?" he shouted.

"No, there's the Marx brothers," the three replied, and marched into his office.

10. Never put off till tomorrow what you can put on to someone else.

Delegating tasks to others is often the key to getting things done quickly.

(Consider Robinson Crusoe, who always got his work done by Friday.)

The quality of the finished work need not be impaired; after all, the great Flemish artist Rubens often employed less gifted men to help him out.

By the time he was thirty, he had more orders for paintings than he could cope with on his own — so he allowed others to prepare his canvasses and paint in the foundation details, while he merely applied the finishing touches.

11. Expert advice — at a price.

Do not hesitate to seek outside help when confronted with a problem which is clearly beyond you.

General Electric of America once suffered a breakdown in a complex system of machines and spent ages trying (without success) to locate the fault themselves.

Eventually, they called in Charles Steinmetz, an electrical engineer who had retired from GE some time previously.

Steinmetz spent a little while walking around, testing various parts of the machinery. Finally, he took a piece of chalk out of his pocket and marked an X on a particular spot.

The machine was stripped down — and the GE men were astonished to find that the defect lay precisely where Steinmetz had made his mark.

There is a further point to this story, though: you must be prepared to pay the price for such expertise.

When General Electric received a bill from Steinmetz for $10,000 a few days later, they protested about the amount and asked him to itemise it. Steinmetz duly sent back an itemised bill:

"Making one chalk mark… $ 1
Knowing where to put it… $ 9,999"

12. The time machine.

Always use the fastest office equipment available to you — such as the LQ2500, the new 24-pin dot-matrix printer from Epson.

It shoots along at an amazing 270 characters per second in draft — and at 90 c.p.s. in correspondence-quality mode, it will certainly help you make short work of all your business letters. (See again section 6.)

The print quality of the LQ2500 is equally sharp, for it has five letter-quality fonts built in. Furthermore, changing between them does not involve the lengthy business of making software commands; to choose a new typestyle, you simply press one or two buttons on the LCD 'Selectype' panel on the front.

The LQ2500 comes with a powerful 8K buffer as standard to allow your computer to get on with other tasks while it is printing. (See again section 2.)

IBM-compatibility also comes as standard — and of course, the LQ2500 is every bit as reliable as you would expect an Epson to be.

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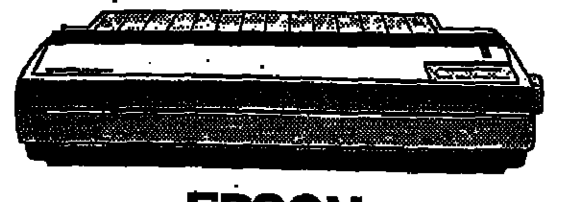
For further information, either: write to Epson (U.K.) Limited, Freepost, Birmingham B37 5BR; call up Prestel *280#; or dial 100 and ask for Freefone Epson.

And see again section 9.



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Please write in confidence enclosing career, personal and salary details to: Heather Male quoting ref: L156 at Slade Consulting Group (UK) Ltd, Metro House, 58 St James's Street, London SW1A 1LD. Tel: (01) 629 8070.

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Candidates should be aged between 28 and 40, qualified accountants who have had experience of managing the accounting and budgeting functions of a market orientated company. A strong technical ability is required, plus use of micro computers and the capacity to contribute to the direction of the business as a whole.

Please reply in confidence, giving concise career, personal and salary details, quoting Ref. FC1 to:

Sheryl Tye,
Arthur Young Corporate Resourcing,
Citadel House, 5-11 Fetter Lane,
London EC4A 1DH.

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Falland Hill House, Horserace Lane, Lower Failand, Bristol BS8 3TY

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c. £18,000 p.a.

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Mrs J. Bowden
Director of Manpower Resources
TIPHOOK PLC
Lancaster House, 7 Elmfield Road
Bromley, Kent BR1 9LT

Company Notices

BRAZILIAN STERLING LOANS: DECREE LAW NO: 6019
STATE OF PERNAMBUCO 5% LOAN 1905

NOTICE IS HEREBY GIVEN that for the Sinking Fund of the above loan for January 1987 bonds for a nominal amount of £9,400 have been drawn for redemption.

The following are the numbers of the bonds drawn for redemption at par on 1st January 1987, after which date all interest thereon will cease.

470 Bonds of £20 Nominal Value = £9,400

303	304	431	622	718	720	804	816	823	1022
1149	1201	1224	1464	1490	1570	1618	1702	1811	1812
1939	2167	2198	2315	2545	2903	2911	3458	3508	3644
3664	3734	3954	4026	4060	4225	4527	4946	4976	5133
5206	5235	5610	5813	5839	5864	6008	6033	6125	6217
6373	6651	6652	6654	6762	6798	6981	7058	7120	7247
7249	7250	7254	7264	7266	7358	7506	7516	7518	7532
7596	7628	7635	7638	7649	7688	7724	7726	7727	7729
7733	7761	7811	7821	7824	7837	7923	8001	8069	8067
8216	8312	8333	8349	8350	8360	8361	8364	8417	8418
8419	8451	8453	8455	8456	8478	8584	8585	8628	8630
8643	8650	8709	8710	8908	8928	8932	9153	9155	9255
9329	9332	9414	9416	9486	9522	9525	9563	9581	9582
9598	9897	9908	9993	10027	10042	10046	10052	10077	10097
10102	10149	10150	10205	10247	10377	10399	10808	10823	10871
10872	10903	10912	10920	11184	11187	11216	11222	11270	11431
11449	11538	11629	11630	11637	11639	11642	11643	11645	11646
11647	11649	11757	11763	11766	11803	11806	11821	11876	11877
11880	11907	11910	11911	11959	11961	11983	11989	11998	12007
12010	12029	12162	12190	12199	12247	12265	12267	12268	12411
12575	12578	12815	12816	12866	12924	13035	13036	13038	13219
13223	13264	13267	13282	13318	13320	13325	13367	13368	13372
13373	13387	13442	13446	13665	13702	13703	13705	13846	13864
13865	13896	13900	14006	14098	14340	14363	14399	14483	14592
14598	14601	14602	14707	14709	14710	14942	14944	14981	14983
15002	15551	15552	15579	15622	15910	16001	16003	16116	16149
16350	16370	16410	16412	16435	16436	16438	16439	16511	16557
16598	16576	16581	16682	16778	16862	16883	16885	16944	16945
17149	17212	17398	17480	17701	17858	18024	18106	18217	18410
18435	18437	18438	18439	18550	18608	18621	18670	18674	18747
18751	18754	18952	18996	19034	19047	19339	19351	19410	19504
19518	19925	20054	20133	20316	20433	20703	20706	20749	20901
20995	21095	21097	21119	21198	21210	21253	21336	21504	21822
22244	22295	22547	22883	22743	22776	22900	23052	23233	23404
23523	23623	23758	23820	23909	23972	24032	24277	24385	24489
24853	25256	25266	25272	25305	25418	25798	26017	26185	26248
26330	26353	26401	26910	26998	27084	27315	27614	27977	28320
28363	28501	28664	28858	28915	29071	29227	29304	29333	29368
29439	29520	29542	29741	29892	30004	30255	30513	30886	30911
30973	31072	31086	31321	31505	32011	32267	32608	32710	33030
33304	33439	33641	33650	34022	34497	34910	35008	35035	35044
35045	35067	35306	35475	36003	36167	36377	36605	37156	37346
37387	37676	38760	38802	39188	39248	39336	39612	40302	40631
40951	41384	41820	41910	41970	42390	42446	42650	42813	42615
43505	44154	44411	44942	45289	45464	45584	45611	45660	45766
45993	46057	46111	47137	47296	47377	47791	48160	48170	48188
48190	48408	48660	48889	48895	48898	49102	49104	49431	49432

The above bonds should be presented for repayment to Lloyds Bank Plc, Branches Stock Office, Coupons Department, 111 Old Broad Street, London EC2N 1AU, listed on the appropriate forms and must bear all coupons subsequent to 1st January 1987 otherwise the amount of the missing coupons will be deducted from the principal moneys.

GENERAL MOTORS CORPORATION

NOTICE IS HEREBY GIVEN that resulting from the Corporation's Declaration of a Dividend of $1.25 (gross) per share of the Common Stock of the Corporation, payable on the 10th December, 1986, there will become due in respect of Bearer Depositary Receipts a gross distribution of 6.25 cents per unit.

The Depositary will give further notice of the Sterling Equivalent of the net distribution per unit payable on and after the 15th December, 1986.

All claims must be accompanied by a completed Claim Form and USA Tax Declaration obtainable from the Depositary. Claimants other than UK Banks and Members of The Stock Exchange must lodge their Bearer Depositary Receipts for marking. Postal claims cannot be accepted. The Corporation's Third Report for 1986 will be available upon application to the Depositary named below.

Barclays Bank PLC
Stock Exchange Services Department
54 Lombard Street, London EC3P 3AH

CHEMICAL NEW YORK CORPORATION US$300,000,000 FLOATING RATE SUBORDINATED CAPITAL NOTES DUE 1997

In accordance with the provisions of the notes, notice is hereby given that for the interest period from November 19th, 1986 to February 19th, 1987 the notes carry an interest rate of 6⅛ per cent per annum.

The interest payable on the relevant interest payment date February 19th, 1987 against coupon No. 8 will be US$782.64 per US$50,000 note.

Agent Bank
Chemical Bank

ALCATEL

Corporation organised under French law (Société Anonyme)
Capital: French francs 255,596,700
Registered Head Office: 12 rue de la Baume, 75008 Paris
Headquarters: 33 rue Emeriau, 75725 Paris Cedex 15
Trade Register: PARIS B 542 102 322

SECOND NOTICE TO HOLDERS OF BONDS 10¼% 1980-1991
CONVERTIBLE INTO BEARER SHARES

The holders of International convertible bonds 10¼ 1980-1991 issued by *ALCATEL who were called for November 18, 1986, being unable to meet* validity for lack of quorum, the bondholders are again called to an Extraordinary General Meeting, at 37 rue du Rocher, Paris, 8ème, (FRANCE) on November 26, 1986, at 3 pm. in order to consider the same agenda as the one for the first meeting, that is:
—*Communication of the board of* Directors relating to a proposal of partial transfer of assets from ALCATEL to ALCATEL TELECOMMUNICATIONS
—*Approval by the bondholders of this proposal of partial transfer of assets*
To permit the bondholders to attend or to be represented at this meeting, the bonds or their deposit receipts, must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having *participated in the placing of these bonds and from whom proxies or* admission cards can be requested. This meeting shall be validly held if the holders of twenty-five per cent of the outstanding bonds are present in person or represented.

THE BOARD OF DIRECTORS

CITY OF LIMA
(The Honourable Provincial Council of Lima)

5% FIRST MORTGAGE BONDS 1911

NOTICE IS HEREBY GIVEN that for the Sinking Fund of the above loan *for January 1987, bonds for an original* nominal amount of £6,000 have been drawn for redemption.

The following are the numbers of the bonds drawn for redemption on 1st January 1987 after which date all interest thereon will cease. Payment will be made at the new par value of £171 per £100 bond in accordance with the *Republic of Peru Offer dated* 13th January 1955.

78	176	376	378	1269	1273
1275	1285	1288	1292	1293	1294
1297	1302	1303	1424	1426	1439
1467	1482	1488	1559	1562	1656
1728	1804	2138	2246	2247	2248
2286	2291	2416	2461	2588	2628
2868	2724	2857	2906	3010	3169
3298	3404	3434	3708	3733	3771
3862	3935	4069	4494	4615	5143
5357	5471	5519	5751	5805	5930

The above bonds should be presented for repayment to Lloyds Bank Plc. Branches Stock Office, Coupon Department, 111 Old Broad Street, London EC2N 1AU, listed on the appropriate forms and must bear all coupons subsequent to 1st January 1987 otherwise the amount of the missing coupons will be deducted from *the redemption proceeds.*

Personal

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LEGER, 13, Old Bond St. ANNUAL WATERCOLOUR EXHIBITION. Mon.-Fri. 9.30-5.30. 01-629 3538.

OMELL GALLERIES, 43a, Duke Street, St. James's, London, SW1. 01-930 7744. MARINE PAINTING BY BARRY MASON. Mon.-Fri. 9.30-5.30. Sat. 10-1 pm.

RICHARD GREEN, 44, Dover Street, W1. 01-493 3939. WATERCOLOURS BY ARCHIBALD THORBURN. Daily 10-6; Sats. 9.30-12.30.

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Cullen's grapples with convenience

Christopher Parkes reports on the UK food chain's problems

DAVID CLAXTON, managing director of Cullen's Holdings, seems to be going off the term "convenience stores." After almost two years trying to stamp a livelier, 1980s identity on Cullen's traditional grocery and liquor outlets in the UK, he now prefers to call them "bloody good local shops".

Semantics offers no remedy for the difficulties facing the long-established and long-suffering chain—earlier this month it announced half-year losses of almost £1m. But Claxton's choice of words suggests an important tactical change, and highlights a general reassessment of the positioning and prospects of convenience stores in Britain.

A convenience store, by common consent, is a small local supermarket, open for long hours, seven days a week. It may also offer newspapers, takeaway food and other odds and ends. Claxton claims Cullen's is different, aiming to be an up-market niche operator bidding for a specific segment of the trade with different and more desirable products than sliced bread and sugar.

"We are developing specialities, adding own-label and added value products," he says. Building on the group's basic skills at the delicatessen counter and in the quality wines department, it has already increased its offerings of fresh produce.

Despite costly problems with high wastage of fresh foods — which appears to be part of the price the group must pay to convince new customers and old of the "convenience" of shopping at Cullen's — the group will press on with its merchandising strategy. Claxton says it is extending its fresh offerings and including more desirable produce such as chilled ready meals.

"In our view the niche we occupy does not rely on long days and hours, but it is a robust niche that consumers will recognise and respond to."

Yet consumers still find it difficult to distinguish between a convenience store and a good local shop.

If there is a niche for this US invention, it appears to have narrowed considerably in the five years or so since the expression "convenience store" became current.

CONVENIENCE STORE

	% turnover
Groceries/Food	38.0
Tobacco	11.0
Alcohol	9.5
News/mags/books	8.5
Confectionery/snacks	7.0
Soft drinks	6.5
Chemists goods	4.0
Fast foods	2.5
Fruit and veg.	2.0
Electrical	2.0
Records/video	2.0
Stationery/cards	3.0
Ice cream	1.5
Other	2.5

SPACE ALLOCATION AT CULLEN'S

	estimated %
Groceries/food	52.6
Fruit/veg	5.6
Confectionery	3.9
Soft drinks	4.8
Ice cream	1.0
Entertainment/stationery	5.0
News/mags/books	7.5
Household goods	7.3
Alcohol	9.5
Tobacco	1.2
Other	1.6

Verdict Research's definition of a pure or specialist convenience store is indicated in the first table. Its estimate of space allocation shows how Cullen's varies from the norm.

All the big-name, full-range supermarkets now routinely open for 12 hours a day, six days a week. In big towns, at least, most people have access to one or more of these outlets. Although many convenience stores are open for at least 16 hours a day, a significant part of their advantage has been eroded.

Independent retailers, often run by Indian or Pakistani families and trading in so-called voluntary groups such as Spar and Mace, have been quick to adapt their ever-flexible businesses to the style which convenience store operators claimed as their own. These developments have left little space for newcomers.

The result has been that most of the leading names in the sector have run into some difficulties. Sperrings Franchising, one of the pioneers, said three years ago that it would have 200 outlets by 1987. There are still only about 80.

Aine Kelly, an analyst at Kleinwort Grieveson, says she has long been sceptical of the concept's chances in the UK. "Convenience stores genuinely filled a gap in the American market," she says.

First, the US market did not have anything to compare with Britain's vast reservoir of energetic small shopkeepers underpinning its basic superstore structure.

"The general background to the problem is that Britain is not yet a car-borne society—40 per cent of shoppers don't own cars," she explains.

The publicity and enthusiasm which surrounded the idea's arrival in Britain concealed the fact that the most successful convenience stores in the US are attached to petrol filling stations, and that relatively few of those in other locations make satisfactory profits.

While it could be said that the difference between car ownership in the US and UK might work in favour of Cullen's "local shops," a high proportion of the group's target shoppers are fully mobile.

"What's wrong with Cullen's? What's right with Sainsbury's is part of the problem," said Malcolm Samuel, a retailing specialist at Morgan Grenfell Securities. He was cooling over the 34 per cent half-time profits increase which the multiple had turned in a day after Cullen's reported its losses.

Samuel feels Cullen's had suffered for years from "the big boys" building better quality stores in better locations. The more run-of-the-mill multiples had all made great strides to match the quality image of Sainsbury's and Waitrose. More recently the major chains had moved forcefully into fresh foods.

While Cullen's may have chosen a perfect target customer, he suggests, many of its outlets are in less-than-perfect sites.

There are plenty of yuppies —the "upwordly mobile young professionals"—in London and the south east, the chain's operating area, and Samuel hints there are "moves afoot" to set up stores in purposely chosen sites to "capture" them and those City workers whose working hours have been extended by the recent Big Bang, as they step from the train or drive into their dormitory suburbs.

"They want convenience and they want convenience of location," says Samuel. "I can see newcomers coming in and picking their spot." As for Cullen's "I'm not sure new wine in old bottles will work, but I can see new wine in new bottles working well."

Cullen's showpiece store in London's fashionable Fulham Road

Claxton, on the other hand, claims one of the strengths of Cullen's lies precisely in the positioning of its shops. He cites the well-known example of its showpiece in fashionable Fulham Road, another in the centre of a well-off housing area in Hove, and claims that its outlet in Islington, north London, just round the corner from one of the newest Sainsbury's, is already turning over more than £500,000 a year.

"The majority of our shops are on or exceeding this target," he says. And he rejects the "old bottles" charge. Of the group's 39 new-style outlets, about 15 are on new sites. There are 20 more still operating in the old style, and the company does not intend to convert more than a handful of these, he says.

Sights have been lowered. The old target of 350 convenience stores by 1990 has been replaced by talk of a "substantial chain." Where 70 were to have been opened by the end of the current financial year, the company now proposes 43.

An assessment of the prospects for British convenience stores, just published by Verdict Research, acknowledges that the general enthusiasm of a year ago has now faded to something resembling depression. However, says the report, the new mood is as "unrealistic as the euphoria which surrounded the emergence of these concepts."

Verdict says turnover in the sector, increasing from £165m in 1984 to an estimated £720m this year, will top £1.2bn in 1987. The true specialists like 7-Eleven will account for only 15 per cent of total sales this year and grocery shops which have altered their format will take 70 per cent.

However, Steve Webb, author of the study, insists the future belongs to the specialists. Confectionery, tobacco and newsagent (CTN) chains which have the sites provide ideal foundations for true convenience stores, he says. "In the end multiple management techniques will beat the smaller men." Their advantages of buying power, centralised distribution, and high retailing standards will ultimately pay off.

"New entrants, especially from the CTN sector and the continued growth of the established multiples (7-Eleven, Sperrings, Misselbrook and Weston and Circle K/Zipin) will shift the initiative to the specialist sector by the end of the decade," the report concludes. ("Specialist" stores aim to satisfy a wide range of consumer demand rather than concentrating mainly on a particular line, such as groceries or CTN products.)

On this basis, the Cullen's strategy could further limit the group's prospects. Should the rumblings of upmarket newcomers in precision-targeted sites become reality, it might find tho going even stickier. A clutch of "bloody good shops" might not be a bad proposition, but it is not what the management set out to hatch, and far from what the City expects.

**Verdict on convenience stores, £325, Verdict Research, 54, Britton St, London EC1M 5NA.*

US book retailing

An unseemly scramble behind the scenes

In the wake of the 1986 American Book Awards, Frank Lipsius examines the impact of discounting on publishers and sellers

AT A glittering dinner at New York's Waldorf Astoria Hotel, the American publishing industry this week got the news it had been waiting for: the winners of the 1986 American Book Awards.

The two $10,000 prizes went to E. L. Doctorow, for his novel World's Fair, and to Barry Lopez for his non-fiction Arctic Dreams. For them, and their publishers, comes the double kudos of literary stature and lucrative sales.

The official objective of the awards is to promote the quality of literature—hence the decision to reduce the number of categories to two from the 23 of only a few years ago, when the judging seemed to celebrate sales more than words.

Yet the reality is that the ABA awards are even more of a sales promotion tool than they used to be. For, thanks to the arrival of mass discounting in the early 1980s, the $7bn American book trade is now undergoing an unprecedented upheaval which has put publishers under intense pressure to produce blockbuster-sellers, whatever their literary quality.

The traditional bookseller is suffering an even more vicious squeeze. With bookstore chains boasting hundreds of outlets and engaged in a price war among themselves, the cosy old bookshop has little choice but to scramble for a diminishing share of the market.

Little of this unseemly scramble was immediately evident at Monday night's literary ceremony. The main speaker of the evening was George Will, a TV commentator and nationally syndicated newspaper columnist, who lauded the publishing world for providing an antedote to a world of instant TV news and 750-word newspaper commentaries.

The chairman of the ABA, Richard Snyder, who is also the president of a leading publisher, Simon & Schuster, did lift the curtain on commercial reality — but only indirectly. He said he hoped the very size of the prizes, as well as the receipts of the awards themselves, would impress the world with the quality of the two books.

The modern American chain bookstore traces its origins to the founding of B. Dalton in 1966. Part of the Dayton/Hudson retailing empire, the company put bookstores in retail malls alongside women's clothing, fast food and children's stores. Whereas many other mall merchandisers appeal to specific shoppers, whether for kitchen needs, athletic equipment or shoes, B. Dalton tries to have something for everyone. The company had its major growth in the 1970s, when mall shops cost $10 to $12 a square foot, half today's costs.

In its early days, Dalton's purchasing power provoked considerable resentment among New York's proud publishers,

> The trend of fewer titles selling more books may please the commercial interests of some publishers but will increase their worry about quality.

whose salespeople had to troop all the way to Minneapolis to make their pitch to the all-powerful individual whose purchasing decisions dictate the company's sales throughout the US. But they were left with no choice—and the fruits of a successful sales campaign were enormous.

The chain has since grown to 791 stores, with sales of $538m in 1985. In the process, it has taught other booksellers how to apply computerised distribution to a nationwide operation. Among other tools, the two dozen staff at head office in suburban Minneapolis use stock models for various types of location, based on detailed demographics within various distances from each store.

This determines which of the company's 150 categories of book are stocked by each store, and in what quantity.

Despite its "scientific" approach to the business, the chain was slow to adopt discounting. It tried at first to channel discount customers to a new venture, Pickwick Discount Books, in order to retain the full mark-up at B. Dalton. After three years, Pickwick was closed down, some of its units being turned into Dalton stores, while other discounters like Encore Books, Crown Books and Barnes & Noble have flourished.

Then, six weeks ago, Dayton-Hudson announced its plans to sell B. Dalton, acknowledging the impact of discounting on its profit outlook. Possible buyers at an anticipated price of $150m to $300m include Sears, F. W. Woolworth and Wal-Mart stores.

As Dalton has faltered—with pre-tax profits down to what analysts estimate to be $21m in 1985, against $36m in 1981—primacy in book retailing has been taken by Waldenbooks. Waldenbooks enthusiastically absorbed K Mart's discount philosophy since being taken over by the mass market retailer in 1983.

Following Dalton's lead in computerisation, Waldenbooks has expanded to 1,000 stores and $560m in turnover. It initiated free book clubs in stores to build loyalty with readers in four specific fields, including romance and mystery books. Besides a bi-monthly newsletter, club members get a 10 per cent discount.

Walden is also putting book departments in K Mart stores which will be smaller than its own full shops, but will put even more emphasis on discounts. By the end of 1987 there will be over 110 of these Readers Markets, though only 17 exist today.

By pushing publishers to give Walden co-operative advertising and extra discounts, Walden is pushing the trend of fewer titles selling more books. This may please the commercial interests of some publishers but will increase their worry about quality—and the responsibility which George Will advocated at Monday's black-tie dinner.

TECHNOLOGY: Computing

BY ALAN CANE

Engineering an end to the software nightmare

SOFTWARE ENGINEERING techniques are at last being used to help solve the data processing manager's biggest problem: the nightmare of maintaining and developing the vast legacy of software on which the data centre depends, but which may be poorly documented, creaking with age—and badly structured in the first place.

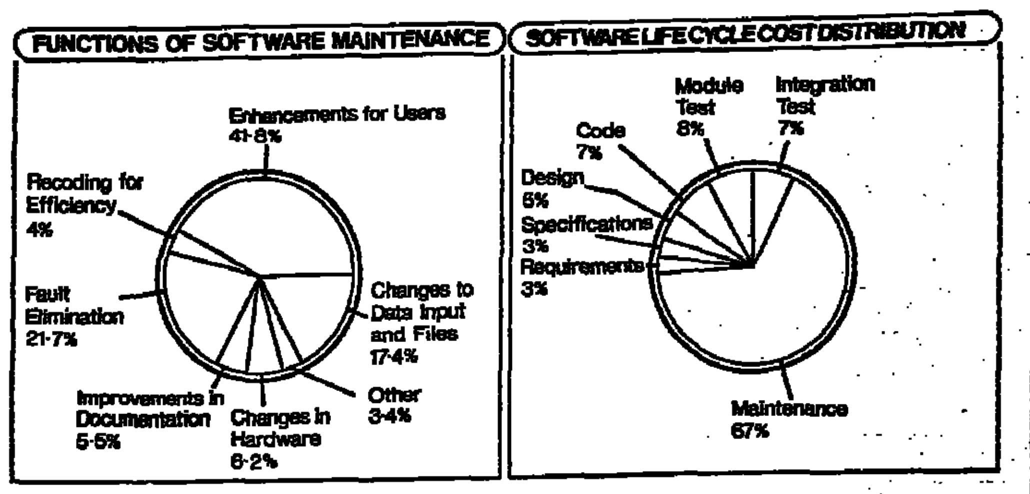
Most of this software is written in Cobol, or common business oriented language. This is the most popular commercial computer language, chiefly because it was first rather than best.

As consultants Peat Marwick point out: "There are around 75bn lines of Cobol code written throughout the world. Since it was introduced in 1960, Cobol has been written appallingly, satisfactorily and brilliantly. The problem is that much of it is old and costly to maintain."

"Maintenance" implies the development of new functions in an existing program—or suite of programs—rather than repair. It is difficult and costly because computer software is complex and the authors of the original program may not fully have explained the structure and logic of their creation.

Why is it necessary, in any case? Because after a time software has to be updated to take account of new circumstances such as the acquisition of, for example, cheaper and more powerful hardware.

One approach is to rewrite the entire stiite using computer programs which create computer programs—the so-called fourth generation languages (4GLs). Another is to re-engineer the existing programs to make them easier *to develop and maintain*. The Institute of Data Processing Management has carried out a study of the potential of 4GLs. Peat Marwick is offering a software re-engineering service. On this page, the pros and cons of differing approaches by these organisations is examined.



Two-piece toolkit for quick and cheap program rejuvenation

SCORES of firms in North America from Mellon Bank to Bell Canada, the telecommunications group, agree they have saved time and money using a technique called "software re-engineering" to solve their maintenance problems.

Mellon Bank, for example, compared the cost of rewriting its Cobol programs with the cost of re-engineering them and found rewriting would be thirteen times more expensive.

Bell Canada re-engineered a pay roll/personnel system comprising 32 separate Cobol programs and discovered the resulting system was 44 per cent cheaper to modify and enhance compared with the original.

Re-engineering is the name international management consultants Peat Marwick has given to a service it has developed for identifying weaknesses in existing Cobol mainframe programs and putting them in good order.

Available in North America for some years, Peat Marwick will be announcing the UK version of the service early next month. One of its first UK-based customers is Rank Xerox (UK). Some 93 Rank Xerox systems comprising 2.4m lines of Cobol code have already been analysed and the company is currently deciding which of its programs to put through the rejuvenation process.

In principle, software re-engineering is simply good common sense. Most of a company's investment is software is tied up in programs written in Cobol at least a dozen years ago and heavily patched and modified since then.

These programs are poorly adapted to new technologies, unresponsive to new business needs, and tie up a company's best software brains in the unrewarding job modification and maintenance. Over 70 per cent of data-centre running costs are associated with the maintenance of old Cobol programs.

What Peat Marwick offers is help to analyse the strengths and weaknesses of software, and then to put the program into a modern, structured format. It is well known that the cost of maintaining and modifying structured software can be as little as 25 per cent of unstructured versions.

What makes Peat Marwick's approach unique is the two software tools—Pathscore and Structured Retrofit—it uses to automate the entire process.

The tools have been developed by Peat Marwick over the past six years.

Pathscore is used to measure the quality of a company's software. It is a suite of programs which simulates the execution of a piece of software, testing each and every logical pathway within the suite. No test data is needed and the analysis is run on Peat's own Wang VS minicomputer rather than the customer's machine.

After the software has been put through its paces on this electronic testbed, Peat Marwick is able to say which programs are in good shape and which are rickety—it can also tell why this is the case.

The company says that for the first time a data processing manager can know for certain the quality of his or her software.

Trevor Humphries

Patrick Whale, right, and Jeremy Swift of Peat Marwick with output from the software re-engineering service the company is offering in the UK. The analysis is carried out on Peat's own Wang minicomputer.

Structured Retrofit is another suite of programs resembling a software sausage machine. A company's current, unstructured Cobol goes in at one end and structured Cobol, functionally identical to the original, comes out the other.

Mr Patrick Whale, the partner at Peat Marwick responsible for information systems, warns that it cannot make a silk purse out of a sow's ear. If the original program was badly designed, the structured version will also be badly designed, although in a much more professional way.

Structured Retrofit reduces the complexity of the code, improves the architecture and cleans up the language. The "Go to" instruction, much hated by structured programmers is removed wherever possible, for example.

Mr Whale sees a variety of uses for these powerful software tools—Pathscore, for example, could be used to check the quality of commercial software packages.

Peat Marwick charges between £6,000 and £30,000 for processing software through Pathscore, depending on the number of programs involved.

Structured Retrofit will cost customers 30-80p a line of Cobol code, depending on the volume and complexity of the task.

The company is based in London on 01-236 8000.

● A study by the National Computing Centre published earlier this month showed that 66 per cent of data centres use Cobol for some or all of their processing. Next most popular language is the Basic (24 per cent) with Fortran third (18 per cent).

Languages that translate into a data centre revolution

THE advent of fourth-generation languages (4GLs) heralds a computer revolution in which the principles of software development, built up since the beginning of modern data processing, will largely be abandoned to facilitate the best use of these new and very powerful tools.

This is the principal conclusion of a study* carried out by a 15-strong team of computer specialists from the major consultancies. Dr C. B. B. Grindley acted as chairman and the sponsor was the Institute of Data Processing Management (IDPM).

The study claims that the use of 4GLs will largely supersede that of third-generation languages during the next five years.

4GLs represent a stage in the evolutionary development of computing software. First-generation software was machine code — the representation of 0s and 1s as differences in voltage levels, which is how information is fed to a digital computer.

Second-generation systems used mnemonics to represent sections of machine code, a convention carried further in third-generation systems (like Cobol and Fortran) where English-like commands represented a whole block of machine code (and made programming a much less skill-intensive business).

3GLs are procedural languages—they tell the computer how to carry out its intended task. 4GLs, according to Dr Grindley and his team, are non-procedural; "They are suitable for describing what is to be done, but not how it is to be done by a computer."

Once the characteristics of the job have been described using the 4GL, the machine code is generated automatically. 4GLs are thus a giant step on the way to the "software factory."

Over the past two years, data centres have become increasingly aware of the potential and use of 4GLs. The IDPM study notes: "We found that some 45 per cent of UK installations appear to be making significant use of 4GLs today.

"The number and variety of 4GL products began to increase substantially at the beginning of this decade . . . We found that a further 30 per cent of UK installations are planning to use 4GLs in the near future. Within two years we would expect over threequarters of computer installations to be employing the technique."

Dr Grindley says the study shows that 4GLs are no nine-day wonders, but a development likely to have a revolutionary impact on data centre management.

Most of the principles of systems development built up over the years would have to be abandoned to use 4GLs effectively. The idea of the "system life cycle," for example, with its set stages of justification, requirements specification, programming, implementation and maintenance is not suited to 4GL work: "We found it was frequently replaced by a continual process of incremental development in which the five stages become indistinguishable from one another."

The study found there were dramatic effects on the organisation of data processing departments: "The separation of systems development staff into analysts and programmers is usually abandoned. We commonly found only one grade of staff called analyst/programmer."

There was also evidence of improved programmer productivity—a key objective in today's data centres: "This varied from a two-fold gain over languages such as Cobol when using 4GLs which have some characteristics of procedural languages (telling the computer exactly what to do) to a 20-fold gain using pure 4GLs (specifying only what has to be accomplished).

"As 4GLs improve over the next five years we found installations expected programmer productivity to rise from the present average of a 2.4-fold improvement to an average 6.5-fold improvement."

Dr Grindley reports that companies with experience of 4GLs found it economically sensible to consider re-writing their systems rather than maintaining and patching the existing software.

Where 4GLs had disappointed, they had frequently been used wrongly—treated as though they were a third generation language, for example. "4GLs are not effective if they are used in traditional data processing environments, created for developing computer systems with procedural languages. Major changes in organisation and methods are required," the report says.

Most significantly, the report *suggests 4GLs will enable closer* links between corporate strategy and corporate computer systems: "The users of computers will be less beholden to experts and will become responsible for their own systems development."

*** The Grindley Report IDPM, 1986, £90.**

Lotus spreads its UK range

LOTUS Development Corporation, the world's largest independent computing services company, will from next week begin selling in the UK a companion product for its best-selling 1-2-3 integrated spreadsheet. This new offering HAL should decisively secure the company's commercial position. Lotus pioneered the integrated spreadsheet, a software financial planning aid with built-in file manager and graphics.

The perceptive New York-based stockbroker PaineWebber has consistently tipped Lotus as its strongest investment recommendation, based on the staying power and market leadership exhibited by 1-2-3. PaineWebber's software analysts Curt Monash and Robert Therrien noted recently, however: "Our optimism on Lotus is further enhanced by its moves beyond its 1-2-3 base.

"There are various companion products of which the best known is HAL; it alone could generate 10 percentage points of revenue growth in 1987."

And so it could. It is an excellent addition to the 1-2-3 stable and one which should bring in a fair number of new users as well as tempting back those who had abandoned their copies of 1-2-3, fearing they would never master the intricate series of commands necessary to make it perform well.

HAL is, in fact, the "front end" that 1-2-3 should have been supplied with first time round. It has a fairly broad vocabulary of English words and phrases which take the place of the tortuous keyboard commands 1-2-3 demands of its users.

The system can be "taught" words of the user's own choosing, but HAL is not an example of artificial intelligence (human-like judgments from a computer). It relies on very high quality programming to *translate* some 2,000 business words into spreadsheet operations within an overall size of 120,000 bytes (characters) of storage. HAL costs £120.

THE ARTS

Julius Caesar/Young Vic

B. A. Young

David Thacker has directed *Julius Caesar* on a plain stage with no furniture but some wooden benches and occasionally a wooden table bearing maps or cups of wine. The common people, who play such an important part in this play, usually speak from lofty platforms built around the circle, save in the magical scene where they tear Cinna the poet for his bad verses, or where they have been enlisted into the armed forces. They are then armed with cannon, heard off-stage, and muskets, which they inexplicably reserve to shoot young Cato. In the rest of the fighting they stick to their spears, swords and daggers. They are dressed by Fran Thompson as Puritans. Caesar is represented as King Charles I.

This is David Thacker's scheme, to make Caesar a genuine monarch, strong and dignified despite his "falling sickness," and the conspirators the Cromwellians, embarking on a proper crusade against the excess power of the Monarchy. It works very well; indeed, I don't know when I have felt the play's argument come over so clearly as it does in this fine production.

Peter Ellis is indeed a kingly Caesar, if a little tall for Charles I — dignified and courageous. He is matched by an excellent Brutus, in which Corin Redgrave gives the best performance I have ever seen from him. It is not only that he suggests the kind of straightforward political feeling that Cromwell must have shown, but he speaks the lines with a sensitivity that glows from every line.

When Cassius asks him if he will be content to be led in triumph, his simple answer, "No, Cassius, no," stirs the blood like Henry V at Harfleur. "I shall find time, Cassius, I shall find time" contains every intention that must have been in his mind as he surveyed the pressures that bore on him. His quarrel with Cassius, which begins in the aisle behind the seats before it bursts into flame in the tent, is no fair contest, for Matthew Marsh's Cassius loses control at once, while Brutus maintains his cool to deadly effect. The intrusive poet with his "For shame, you generals!" is thankfully cut.

It is impossible not to show the battles in this play. Mr Thacker shrouds them in fog, the first round consisting of the usual charges across the stage, the later stages showing hand-to-hand fighting. Because we have become accustomed to the economical presentation of action on the bare stage, the fighting is quite convincing enough.

It seems to me a mistake to dress Caesar in the same Puritan kit as the proto-republicans, especially when Anthony has to take the mantle off the dead body and display it. Frank Grimes gives a good Anthony, though I thought him a little short in humour. The big speech over Caesar's body was beautifully interpreted, with what looked like genuine tears in the middle.

The company must be reminded that "bade" rhymes with mad and not with made; and if they are to give a Lancastrian u in Publius they must call Caesar Yulius Kyzer for consistency.

The Pied Piper/Olivier

Martin Hoyle

Visually, this *Pied Piper* retold by Adrian Mitchell for six-to-eleven year-olds is smashing. Roger Glossop's opening set is an Emmett-like erection of ramshackle stalls bristling with bric-à-brac, chemical retorts, toys, cakes and conjuror's props, all dominated by a rickety clock-tower complete with turning wheels and repeatedly disgorging a rat instead of a cuckoo.

Sally Gardner clothes the burghers of Hamelin in bright cartoon costumes with a dash of the panto and the circus. Outstanding are the clown-faced potion seller of John Darrell and Richard O'Callaghan's top-hatted Uncle Sam of a magician (though he turns out to be Australian). Sylvester McCoy's Piper bursts from a cake in vividly-hued coat and puce hair.

Wendy Morgan's crippled waif actually welcomes us to what she calls Hamner-lin with the opening lines from Browning's poem. Later, descriptive verses are shared, in the first person, between rat-harassed citizens. Otherwise, the poet is present only in the person of Bobby Browning, cub reporter, personified by Elaine Lordan in natty male suiting and fashionable sexual indeterminacy.

Much of the show seems aimed at the children's elders. Apart from the clumpingly contrived joke about a spell-victim who prefers remaining a monster to returning to his human form as a primary-school teacher, there are signs that Mr Mitchell and his composer, Dominic Muldowney, a confirmed Weill man, were out to produce a junior Brecht-Weill musical. This is most apparent when the downtrodden skivvy sings a song about her guzzling, plutocratic employers in which hatred alternates with lyrical revenge fantasies; and one expects that ship with black sails to loom up on the horizon at any minute.

We get a lively rumba for the Piper when the company twitches hypnotically into a patter song and dance routine; the seductive "Gorgonzola moon" to which the rats plunge into the river (flourescent blue and green ribbons stretched across the front of stage); and a tongue-twisting rap for the inimitable McCoy and Miss Morgan who also manages the odd back-somersault.

Children from ILEA schools provide both rats and pupils for the greedy mayoress's private school (boo!—but hooray for Nicola Blackman's punchy attack as the villainess), their black cloaks transformed into rainbow patchwork mantles as they follow the Piper. Like the audience, they seemed sceptical about the non-rhymes of the Mitchell versifying. An abrupt and unprepared-for ending that took us by surprise, not to mention characters in the cast list who failed to materialise, suggest that director Alan Cohen is still at work at the drawing board.

Alastair Muir

Sylvester McCoy

Galleries/William Packer

Art from the earth

Concurrent with the superb Rodin exhibition downstairs, the exhibition of large relief sculptures by the Boyle family, *Beyond Image*, which fills the Upper Galleries of the Hayward (until January 25), deserves a visit on its own account. Mark Boyle and Joan Hills have been together for some 30 years and in all that time their work has been variously collaborative. And as their children, Sebastian and Georgia, have grown to maturity, so they too have become active, creative partners in what was always the family firm.

Through the late 50s and 60s Boyle and Hills were engaged in all kinds of performance and body art, happenings and installations, but in 1969 they embarked upon that *Journey to the Surface of the Earth* which, one way and another, occupies them still. The subject and material of their extraordinary *reliefs* have always been in principle the same—the ground immediately beneath their feet, just as it is.

The few square yards to be examined, treated and transformed are established, and then everything within them, every speck and grain, scrap and dog-end, is cast and reproduced in the most minute detail. On the purely technical level each one of these works is an astonishing *tour de force*. For it is hard to believe it cannot be the actual stuff of earth, metal, stone. There is the deeply rutted mud of the lorry park to the very life, or the broken-tiled remnants of the garden path through the demolition site, or the cliff face. The Boyles' amused response to our incredulity is to tease it further with a private joke by incorporating at least one small element of the actual matter in each finished piece. For a final twist, they even occasionally forget which it is themselves. The overall fidelity of colour, surface and visual weight is quite remarkable.

All very clever, but what is the point?—which is the stock critical response to all *trompe l'oeuil*, and all the more so the more brilliant it is, for we hate to have our senses tricked and challenged in this clever way. But a truer and more thoughtful response must lead us the other way. We should allow our physical senses to take up the challenge, to test first the reality against the illusion, and then test the illusion itself as a function of reality. We look at these remarkable and often extremely beautiful objects which the Boyles put on the walls, though the image may be mere mud, and we begin to consider them for themselves, on their own terms. Then we look down at the ground and find that there too it is extraordinary and beautiful. Our senses have been sharpened, and our experience of the real world and awareness of our own mortality refocused—which *is* a good test of true art.

★

The Dulwich Picture Gallery, which houses one of the most remarkable collections of old masters in the country, continues its series of occasional exhibitions of near-contemporary art with a retrospective study of the work of the painter and illustrator, James Fitton R. A., who died at his home in Dulwich in 1982. The show is split by its two rooms between the paintings and the graphic work, which makes a contradictory point: for it makes it very clear that both aspects were expressions of a single vision and sensibility. Fitton the painter stood in that tradition of rather decorative and anecdotal works, full of jokes and incident, which has been so strong a feature of British art in recent times. One thinks of Eric Ravilious (whose work comes to the Crafts Council Gallery in the New Year), Edward Bawden, Edward Ardizzone, Ruskin Spear, Carel Weight, even David Hockney, none of whose integrity is compromised or qualified by commercial and applied activity. So it is with Fitton, and it is an especial delight to be reminded here just how subtle and unstrained an observer he was — of the figure, the domestic interior and the street life of the city. The show continues until January 4.

The Treasures of Fyvie were shown at the Edinburgh Festival of 1985, and now a selection of the paintings in the collection has come to Agnews (until December 12) under the aegis of the Scottish Tourist Board and the National Heritage Memorial Fund to raise money for the National Trust for Scotland, which acquired Fyvie Castle and its contents in 1984. Agnews could hardly be more nicely placed to act the hosts, for it was through the Gallery that Alexander Forbes-Leith, who bought the castle in 1889, subsequently put together the greater part of his fine collection of British 18th and 19th century paintings. Here they are again, the Reynolds and Raeburns and Romneys—though you must go to the Tate, to the current Scottish exhibiton to see the Queen of the collection, Raeburn's exquisite Mrs Gregory. But the undoubted star of the Agnews show is in the gallery for the first time; the dashing Colonel William Gordon, painted full length by Batoni in Rome in 1766, came to Forbes-Leith with the castle.

Wildfire/Phoenix

Martin Hoyle

To Polonius's list of theatrical categories we must now add the "detective-psychological." This usually takes the form of an extended dialogue between investigator and investigated, the latter quite often ill, criminal or simply unbalanced. The investigator frequently ends up as enriched by the experience as his patient/subject/victim. *Equus* has a lot to answer for.

The latest in this genre of probing for something nasty in the woodshed deals with an attractive young career woman who burnt her house down with her father in it. She also has delusions about being Joan of Arc, a trifle unfairly since her father would seem better qualified for the role. This incendiary drama is appropriately played out at the Phoenix; but the dramatic fire splutters fitfully.

American N. Richard Nash (author of *The Rainmaker*) depicts the relationship of the remanded Bess Garrison and the law-court psychiatrist, David Benjamin. She is a devout Christian, he a lapsed Jew. Carl Toms's sets and Robert Bryan's lighting occasionally plunge their interview room and cell into darkness against a background of Gothic arches, and we hear mediaeval French song and glimpse a blond figure with what used unkindly to be called a village idiot haircut in Fibreglass armour.

Dr Benjamin wrestles with Bess's delusions. Does her mixture of profanity, obscenity and sanctity amount to madness? Is she putting it on? Does her insanity lie elsewhere? In turn, Bess taunts him with being a mystic *manqué*. By the time she has sampled a straightjacket, obtained a verdict of temporary insanity and donned a chic black number for her trip to the funny farm, she has (he claims) opened new vistas for him as well.

Literate and intelligent middlebrow theatre is rare these days, but this writing seems churned out to a basic formula. Attempts are made to flesh out the young psychiatrist with philanthropic ideals; he is set against another cynical soft-centre in the assistant DA (the figure is so peripheral and sketchy one wonders why Mark Wing-Davey bothered). And not even a touch of back-room legal dealing breathes life into the defence lawyer whom David Healy plays with almost inane affability, apparently under the impression that he is still a rollicking oddball in *Guys and Dolls*.

The raison d'être of Peter Wood's production is Diana Rigg. Robust, suave, Rabelaisian and haggard by turn, her Bess is a commanding presence. Scarcely stretched by the role's demands, Miss Rigg is wryly witty, but somehow unconvincing in the throes of spiritual self-discovery.

As Benjamin, Kevin McNally suffers from being smaller than his glamorous patient. His dowdy performance does nothing to redress the balance.

Diana Rigg

Alastair Muir

Philharmonia/Festival Hall

Andrew Clements

In the past year Mariss Yansons has claimed the attention of the larger British musical public with his fine cycle of Chaikovsky symphonies released on the Chandos label. The recordings were made with the Oslo Philharmonic of which he is principal conductor; he is also associated with the Leningrad Philharmonic, as deputy to Mravinsky, and it was with an excellently delivered all-Russian programme that he came to the Philharmonia on Tuesday evening.

Even in Prokofiev's over-exposed *Classical Symphony* Yansons found interest, grabbed attention by his meticulous pointing of the first movement and the Gavotte, gave grace and spaciousness to a piece that is so often shrugged off as an undemanding concert opener. His accompaniment to Chaikovsky's *Roccoco Variations* was similarly studded with felicities, delicately pointing the woodwind solos, keeping the strings textures frothy and alive. Robert Cohen's solo playing was less endearing; the rubato lavished upon every phrase was self-conscious, and his cantabile never approached that of his partners in buoyancy and charm.

The Philharmonia adapted nimbly to Yansons' demands. He favours abrasive, rough-hewn sonorities, without a hint of bland homogeneity. In those hands Rakhmaninov's Second Symphony is moulded into gentle undulations, cushioned on swathes of honeyed tone, but here, while the climaxes were invariably weighty, they always preserved their component strands as individual lines imprinted with distinctive character.

Details were to be savoured in each movement. The strings of the introductions were positively tremulous in their excited expressivity, the development of the first movement unearthed dark and baleful tone colours. The scherzo was driven with no-nonsense rhythmic life, the Adagio spun out on translucent webs of lyricism. The marginal uncertainty that marked some of the orchestral playing at the opening had fallen away entirely by the finale; the opportunities for self-indulgence in this symphony had all been comprehensively passed by, and the point of the last movement could be pressed home with unfamiliar directness.

SWRB celebrates its 40th anniversary

The Sadler's Wells Royal Ballet celebrates the 40th anniversary of its founding under the name Sadler's Wells Theatre Ballet next January with performances at Sadler's Wells Theatre of Frederick Ashton's *Valses nobles et sentimentales* and *Capriol Suite*.

Valse nobles, to music by Ravel and designs by Sophie Fedorovitch, was first performed in 1947 and last seen in 1954. *Capriol Suite* was created by Ashton for the Rambert Dancers in 1930, but mounted for Sadler's Wells Theatre Ballet in 1948. Designed by William Chappell with music by Peter Warlock, this was last performed by SWTB in 1951.

The rest of the programmes on January 9 and 10 will be MacMillan's *Solitaire*, in the original designs by Desmond Healey, and Cranko's *Pineapple Poll*.

Two new ballets will be premiered on January 15—by Jennifer Jackson and David Bintley, and other ballets performed during the season include *The Snow Queen*, *Coppelia*, de Valois' *Checkmate* and Staff's *Peter and the Wolf*.

Arts news in brief

Marion Tait, the principal dancer of Sadler's Wells Royal Ballet, will be the first recipient of the John Newson Award, a new prize established by the Friends of Sadler's Wells to be presented annually to the person who has made the most outstanding creative contribution to the life of Sadler's Wells Royal Ballet. The selection panel included Monica Mason, Cormac Rigby, Peter Williams and Barry Wordsworth. The silver trophy, commissioned from silversmith Michael Bolton, will be presented during the SWRB's Christmas season at Sadler's Wells.

★

The Scottish Chamber Orchestra has appointed Jukka-Pekka Saraste its first principal conductor. He takes up the post in June next year.

Interrogations/Sadler's Wells

Clement Crisp

London Contemporary Dance Theatre, installed at Sadler's Wells for its autumn season, offered three works new to London in its opening programme on Tuesday. They revealed, of course, the strengths of the company—creative variety; strong ensemble—but also a reliance upon formulae which tends to evoke something of a *déjà vu* air. Each of the three choreographers—Christopher Bannerman, Siobhan Davies, Robert Cohan—has, I feel, done better work in the style of the pieces on view.

Christopher Bannerman's *Unfolding Field* is subtitled "Three dances for a passing Comet" and its allegro-adagio-presto form proposes pointless sequences which comment upon tribal reactions to Halley's comet, then the feelings of Halley's contemporaries, and those of our present scientific age. It is perfectly pleasant; there is good design by Andrew Storer and a rather less engaging score by the group Man Jumping; but the sum effect is not memorable.

About Siobhan Davies' *The Run to Earth* I reported on its Oxford premiere in February. It looks blander now than then, more drained of energy. A programme note speaks of tensions between a central couple whose behaviour is reflected and guided by an attendant chorus. What we see is a gently moving set of pendant cloths against which the dancers interact in desultory fashion: Miss Davies' fine-honed style has given us more perceptive, more acute things than this.

Robert Cohan's heavy-weight piece at the end of the evening is entitled *Interrogations*. It is cast in the expressionistic vein of *Stages* or *Cell*, and against a complicated set by Antonio Lagarto (great panels of sheet metal; scaffolding; a cypress tree in a wooden frame; ropes and pulleys) we are party to a dream sequence in which images from Hamlet's "To be or not to be" soliloquy whirl in surreal fashion round Darshan Singh Bhuller.

Cohan's strong sense of theatre drives the action along and, I imagine, carries the audience with it, until the finale amid strobe lighting when Mr Bhuller hangs and swings from a vast white cloth. Various characters, hideously garbed, impinge upon Mr Bhuller's nightmare, chief and most impressive among them Patrick Harding Irmer as a Guardian, who may be Hamlet's father. I wish I felt though, that as with the better nightmares, there was some relevant matter to be gleaned from its inconsequentialities.

Weber/St John's, Smith Square

Max Loppert

Weber was born two hundred years ago on Tuesday. In London, only the Hanover Band concert at Smith Square marked the anniversary date, and not many people came to hear it. Weber, a composer loved by most musicians, tends to be ignored by the general public; this is one of the sad commonplaces of musical life. There may be a reason behind it—Weber's concert works (including those for solo piano) date mostly from his premature periods. But even so, they deserve to be heard and enjoyed far more often. The fact that the main Romantic roads lead both forward and back to him is only a small part of the pleasure.

The Hanover Band is one of London's authentic-instrument chamber orchestras, directed by its first violinist, Roy Goodman. In the *Abu Hassan* Overture and then in the first movement of the Second Piano Concerto, the line between period flavour and technical incompetence was dangerously thin—with so many flaws of ensemble and rhythm the irresistible showmanship of the young Weber was hard to recognise. But the slow movement of the concerto, that "*locus classicus* of Romantic technique" (John Warrack), began to turn the trick; the soloist, Melvyn Tan, showed first a sympathetic command of the fortepiano and a gentle, pliant sense of phrase. There was a lack of glitter in the instrument: might not an early-ish concert grand (such as an 1820s Erard) be more authentically Weberian still?

Mr Tan was also the fortepiano soloist in the rare Adagio and Rondo (1811) for harmonichord (an extinct early 19th-century keyboard instrument, half piano and half organ) and orchestra — a most beautiful working-out of a familiar formula, with one Rondo variation episode that blows operatic clouds (and some dramatic muffled drum beats) across an otherwise untroubled landscape. The programme closed with the First Symphony, not virtuoso enough in execution but not bad enough to spoil the enjoyment. That remark could fairly be applied to much of the concert.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

November 14-20

Exhibitions

PARIS

Esteve: After important exhibitions in Germany, Switzerland and Scandinavia, Paris in turn honours the abstract French artist born in 1904. The retrospective consists of 116 paintings, 50 watercolours, nearly as many drawings, some collages and tapestries and shows Esteve's development. Influenced at first by Cubism and fascinated by Cezanne, he continues obstinately on his own solitary road until he achieves an equilibrium between a rigorous composition and an explosion of colours. Grand Palais, Closed Tue, Ends Jan 12 (4256 0024).

Francois Boucher: the 36 paintings and 25 drawings of his first major retrospective re-create the pastel-coloured world he peopled with voluptuous goddesses and shepherds. Premier Peintre du Roi, a favourite and friend of Madame de Pompadour. Boucher personified the lighthearted charm and seduction of the Louis XV Period. His pastoral and mythological scenes reproduced by engravings, tapestries and on Sèvres porcelain spread the influence of French court art all over Europe. Grand Palais, closed Tue, Ends Jan 5th (4289 5410).

Les Prix de Rome: The exhibition consists of paintings which won the much-coveted stay in Rome for the laureate from 1797 to 1863. The uplifting subjects from mythology or the Bible, the noble sentiments, melodramatic gestures and perfect workmanship crowned in the prestigious yearly competition provide a unique panorama of French academic art. Ecole Nationale des Beaux Arts, 11 Quai Malaquais, closed Tue, Ends Dec 14 (4230 3457).

Paris Abstrait, 1945-1955: Magnelli's cut-out reminiscent of Braque, a powerful Hartung with his large black strokes against a beige background, Esteve's colourful puzzleand Mathieux's ink-black splotches and smears are glorying in their abstraction. Except for de Stael, whose flowers in dense, dark colours are lit up by orange and mauve. Galerie Natalie Seroussi, 34 rue de Seine. Ends Dec 15 (4286 0024).

WEST GERMANY

München, Neue Pinakothek: King Ludwig I as a collector: A photographic exhibition commemorating the 200th anniversary of his birth. Ends Nov 23.

Hamburg, Kunstverein Ferdinandstor 1: Frank Auerbach. A series of paintings and drawings for which British artist Frank Auerbach won the Golden Lion award at the Venice Biennale this year. Thirteen of Auerbach's earlier works will also be on show to give a view of the artist's development and tradition over 30 years. Ends Nov 30.

BRUSSELS

Ingres and Delacroix – Drawings and Watercolours – Palais des Beaux Arts. Ends Dec 21.

Chinese Porcelain – the Transitional Period. Musée Royale d'Art et Histoire. Ends Dec 14.

Opalescence: glass from 1920-1930. BBL Place Royale. Ends Nov 29.

ITALY

Rome: Rome has excelled itself with four highly enjoyable and beautifully presented exhibitions. At the Galleria Nazionale d'Arte Moderna (Viale delle Belle Arti), the rapt, pallid northern beauties of Edward Burne-Jones are drawing surprisingly large crowds. At Palazzo Braschi (Piazza San Pantaleo) Paestum and the Doric Revival – paintings, drawings, engravings and scale models from the years immediately following the rediscovery of the Greek temples in 1750, and its effect on the architecture of such distant cities as Boston and Baltimore, as well as numerous European capitals. At the Branchini di Carlo Magno (Piazza San Pietro) exquisite Mosaici Minuti made in Rome in the late 18th and early 19th centuries, and bought by travellers unable to afford a Canaletto, and at Villa la Farnesina (Via della Lungara 230) a delightful series of engravings on the works of Annibale Carracci mostly inspired by his frescoes in Palazzo Farnese (now the French Embassy in Rome) which fascinated engravers for two centuries after his death in 1609. (Burne-Jones and Paestum and the Doric Revival run until Nov 23; Roman Mosaics and Carracci until Nov 30.

Rome: Palazzo dei Conservatori: Campidoglio: 74 sculptures by Degas – almost all from the San Paolo Museum in Brazil. The sculptures were cast in bronze between 1919 and 1922 by Degas's artist friend, Bartholomé, from wax models left in the studio after Degas's death in 1917. Ends Nov 25.

NETHERLANDS

Amsterdam Historical Museum. A collection of 19th-century French drawings and watercolours providing a cross-section of the styles and themes of the period, from the veneration of the Napoleonic legend to exotic Orientalism and the Italian picturesque. Ends Jan 4.

Laren, Singer Museum. Recent graphics by more than 100 Dutch artists. Ends Dec 14.

SPAIN

Madrid: Julio Gonzalez (1876-1942), Spanish cubist sculptor considered with Picasso the top exponent of this movement; 50 sculptures and 70 drawings on loan by the Ivam, Valencia's modern art museum. Ends Dec 30. Also Miro sculptures (1893-1983): 100 sculptures and 140 drawings on loan by Mmes, Georges Pompidou, Miro Foundation and private collections offer a vision of Miro's sculptures of 1930-1970 of which we know little in Spain. Ends Jan 20. Both at Centro de Arte Reina Sofia, Santa Isabel 2. Open Tue to Sun: 10.00-21.00. Closed Mondays.

VIENNA

Dian – a submerged kingdom of China: According to the organisers this is the first exhibition in the west of treasures from the Dian Kingdom, which existed more than 2,000 years ago in south-west China. Unusual and spectacular gilded bronzeware discovered only 30 years ago in Dian burial grounds. Exhibits include dramatic groups of men and animals, showing scenes of war, dance and celebration. Also on show are weapons, tools, musical instruments, agricultural and weaving equipment, bronze drums and jewel boxes from what must have been a vigorous culture. Museum of Mankind, Neue Hofburg. Ends Nov 23.

NEW YORK

Bravo Carnegie Hall: While Carnegie Hall is being renovated, the exhibition space at the Performing Arts Library at Lincoln Center honours the venerable venue with original architectural drawings and cutaway models along with a tribute to violinist Isaac Stern, president of Carnegie Hall, and memorabilia like the original programme of 1891 and other programme covers.

Whitney Museum: A retrospective of 188 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, and landscapes and informal drawings. Ends Jan 4.

WASHINGTON

National Gallery: Viennese Renaissance sculpture from the Kunsthistorisches Museum includes work by Bertoldo di Giovanni, Andrea Briosco, and Alessandro Vittoria. Ends Nov 30.

National Gallery: Henri Matisse: The Early Years in Nice 1916-1930, includes 170 paintings from the artist's life in the south of France, where the light made a permanent difference to his sense of colour. Ends March 29.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.

TOKYO

El Greco: 50 oil paintings, part of the Matsukata collection. National Museum of Western Art, Ueno Park, one of Tokyo's few large parks. Several national museums and Tokyo's main concert hall (Tokyo Bunka Kaikan) are in the vicinity. A day's museum-hopping can be pleasantly divided by refreshment at one of the park restaurants. Ends Dec 14. Closed Mons.

Saleroom/Annalena McAfee

Thinking big

Benjamin West's huge oil painting "Alexander the Third, King of Scotland, rescued from the fury of a stag by the intrepidity of Colin Fitzgerald" fetched a a record price for the artist at Sotheby's sale yesterday of British Paintings 1500-1850. Mattheson Fine Art, the London dealers, paid £550,000 for the painting which, at 145 by 205 inches, is believed to be the largest canvas ever to come up for auction in London.

Thomas Gainsborough's "Wooded landscape with peasants in a country wagon" was bought for £286,000 by an anonymous bidder. Competition was keen for Reynolds' portrait of William Charles Colyear and it pushed the price up to £242,000 from an estimate of £50,000-£60,000.

Constable's "Cloud study," executed in Hampstead, was bought for £159,500 by Agnews. It had been expected to fetch between £60,000 and £80,000. The sale made a total of £3,145,385 with 8.32 per cent bought in.

At Christie's in London, a two-day sale of fine Japanese works of art has produced some record prices for kimonos. A gold embroidered Noh costume of the late Edo period, which had been estimated at between £2,000 and £3,000, was bought for £18,700 by a Japanese dealer. Also at Christie's the sale yesterday of the estate of Carsten Faurschou featuring porcelain and furniture, fetched £170,700 to raise money for a foundation for music students in Israel.

In New York, Sotheby's two evening sales of Impressionist and modern paintings on Tuesday produced exceptionally good results with 11 works selling for more than \$1m (£702,740). In the first of the two sales, Impressionist and Modern Paintings and Sculpture, a European dealer paid \$2,427,586 for Renoir's "La Coiffure," representing a record price for the artist. Another Renoir, "Deux soeurs," painted in 1895, was bought for \$1,365,517 by an anonymous buyer.

A record price for a Henry Moore sculpture—£1,213,793—was paid by a private US buyer for a bronze reclining figure "Festival" which had been commissioned by the Arts Council for the 1951 Festival of Britain.

The Whitney Museum in New York paid £379,310 for Alexander Calder's sculpture "Calderberry Bush." The Sale realised a total of £8,231,034 and, taken with the total of the Impressionist sale, represents a record for an evening sale of art.

There were more records at Sotheby's sale of Important Tribal Art in New York. The total was \$2,050,510 (£1,414.145) with 17 per cent bought in—a comparatively low figure for the traditionally difficult tribal art market.

FINANCIAL TIMES

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Thursday November 20 1986

Privatisation Soviet-style

NO SINGLE field of human activity runs more counter to orthodox Soviet ideology—where all worthy endeavour is communal—than private enterprise. Yet yesterday the Supreme Soviet parliament in Moscow passed a law on "individual work activity," permitting a degree of private enterprise. This, in the homeland of Marxist-Leninism, is a minor revolution.

It is very limited. The new entrepreneurs may not hire labour and must, apparently, confine themselves to the service sector. Its introduction is made politically easier by recall of Lenin's allowance of private enterprise in the 1920s, and the fact that most East European allies have long allowed some private enterprise.

But it is a significant departure, and raises again the intriguing question of how far Mr Mikhail Gorbachev wants to, or can, take his country down the path of reform. Certainly, all the rumblings from Moscow indicate that a lively, even perhaps combative, debate on reform is being encouraged by the man at the top.

Ever since the leaking three years ago of the famous Novosibirs Report, in which leading economists blamed economic over-centralisation for the creation of an undisciplined, corrupt, apathetic workforce the debate has been hotting up. Those on the side of reform—most notably Mr Abel Aganbegyan, head of the Novosibirsk Economic Institute at the time of the report and now one of Mr Gorbachev's chief advisers—are gradually being moved to the centre stage. A number of those opposing it have been quietly relieved of their academic and editorial chairs, or their seats in party organisations right up to the Politburo.

Distinct thaw

Every other day, some academic or leading party figure now takes up Mr Gorbachev's call for greater "democratisation," or urges greater exposure to concepts such as "profitability" and "consumer demand," or demands "radical restructuring" in politics and economics. Even Pravda was moved to call this week for a "deep transformation of Marxist theory" that would bring thinking on third world "liberation struggles" and on the theory of class struggle into line with the end of the 20th century.

There has been a distinct thaw in writing and the arts as the pro-reform group seeks to enlist the support of writers in appealing to the intelligentsia above the heads of the party apparatus. Unofficial accounts of Mr Gorbachev's meeting with a group of writers last June, for example, quote his lament that the task of restructuring society was made harder by the absence of a loyal opposition, and his call for greater freedom of expression to fill the gap.

As the Soviet leader confronts the forces of conservatism on one side, and the expectations of those who cheered his early promises on the other, it must be said that the reforms introduced so far look, in western terms, like pretty small beer. The ability to spot where the system breaks down has not been matched by a readiness to thing through to the structural causes.

Rules relaxed

He has managed to streamline a number of key ministries; rules on foreign trade have been relaxed in the hope of boosting exports and of attracting partners in joint ventures; there is talks of decentralisation in economic administration and even of a long term, market-influenced reform of the system of central government price setting. But no one is talking of substantially dismantling the system of central economic planning.

Certainly Mr Gorbachev does not want to scrap central planning. He just wants to make it work by giving local initiative freer rein and workers more incentives. But the further these cumulative changes go, the more Mr Gorbachev will meet opposition from regional party bosses and the Moscow ministers whose patronage the reforms threaten.

If any leader can get reform through the inert weight of the Soviet political establishment, it is surely Mr Gorbachev, who shines in comparison with his lack-lustre predecessors. Maybe he has the will and the means to effect far-reaching reform. It seems more hopeful after this week.

The politics of shipbuilding

THE EUROPEAN shipbuilding industry is fighting a war of attrition against the low-cost yards of the Far East. While there are parts of the market in which European yards should be able to compete, particularly in specialised vessels, the contraction of capacity is certain to continue. The only issues are the speed of the contraction and the amount of taxpayers' money which governments are prepared to spend to keep their shipbuilders alive.

This is the depressing context in which industry ministers of the European Community tried and failed this week to agree on the maximum level of subsidy which member governments can give their shipyards to match Far Eastern prices; another attempt at finding agreement will be made next month. The purpose of these discussions is not to work out some grand plan for the future of the industry or even, as in steel, to agree on how much capacity should be closed down; it is simply to ensure as far as possible a level playing field within the Community, so that European shipbuilders are not compounding the Far Eastern problem by competing against each other in a subsidy race.

Overcapacity in world shipbuilding, which reflects past misjudgments by governments, banks, yards and owners, seems likely to last for a considerable time to come. No doubt at some stage, perhaps in the mid-1990s, there will be a revival both in prices for new ships and in demand. But at present prices are at ruinous levels; distortions arising from different types of subsidy (applied in the Far East as much as in Europe) are rife. Average European prices for larger, less specialised vessels are said to be about 40 per cent above South Korean levels. This is why the Commissions proposed subsidy ceiling of 26 per cent is widely regarded as too low.

In these circumstances some governments, notably that of Sweden, have decided that there is no foreseeable prospect of their merchant shipyards returning to commercial viability; they have therefore allowed them to close down. Others, such as West Germany and Italy, have not been prepared to accept the logic of the market and have kept a substantial shipbuilding industry in being, both by direct support for the yards and, less transparently, through special incentives to shipowners and investors. The UK has followed a policy closer to that of Sweden, but has so far shied away from policies which would involve the complete extinction of the industry.

Muddling through

It is right for the British Government to insist that the new rules being drawn up for the European industry must take in concealed aids to shipowners as well as straightforward subsidies for the builders. It is also important that there should be adequate monitoring arrangements to ensure that the rules are observed. The maximum subsidy should not be so high as to encourage governments to persist with a shipbuilding capacity which is quite obviously unrealistic and will simply prolong the world crisis. But it is up to individual governments to decide whether, in any particular contract, they are prepared to subsidise up to the maximum level or indeed whether to give any subsidy at all.

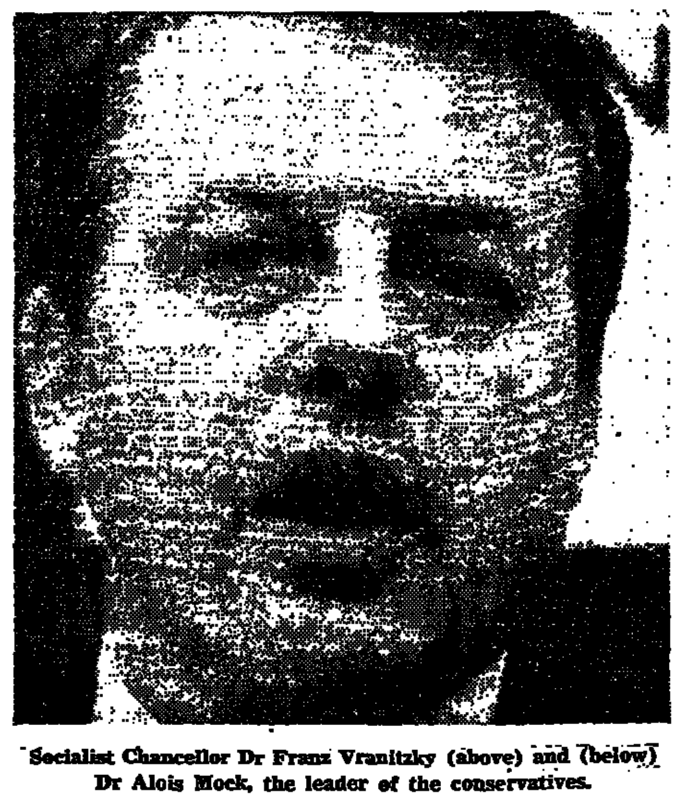
For the UK these decisions will continue to be extremely awkward. Although the British shipbuilding industry is relatively small and cannot be regarded as strategic either in terms of national security or from the point of view of industrial policy, most of the merchant yards are in areas where unemployment is already very high. The amount of subsidy which is now being spent on the industry is in effect a form of regional aid. While the long-term objective must be to create an industry which, however small, can hold its own in world markets on an unsubsidised basis, an immediate removal of all forms of support is not politically feasible.

Thus there has to be an element of muddling through. Continuing efforts are needed to create jobs in the shipbuilding areas, while the shipyards must be encouraged to improve their efficiency and direct their investment to sectors of the market where they have a chance of competing profitably. There is no job security in chronically loss-making enterprises.

Austria's election

The threat from the centre

By Patrick Blum and Robert Mauthner



Socialist Chancellor Dr Franz Vranitzky (above) and (below) Dr Alois Mock, the leader of the conservatives.

AUSTRIANS go to the polls on Sunday, having avoided any real public debate on an issue which could have set alight a particularly tedious election campaign: the future of the country's relatively young parliamentary democracy.

There are no private armies about to march along Vienna's Ringstrasse to enforce political conformity. The human and material costs of the civil conflicts of the 1930s, the years of Nazi rule and the devastation caused by war have convinced the majority of Austrians that compromise is a better way to resolve disputes.

The country has grown prosperous and comfortable, some may say complacent; but there is a deep sense of unease about the future. Most Austrians agree that their country is at a turning point.

Nowhere is this more obvious than within the Socialist Party, which after 16 years in government has jettisoned almost overnight some of its most cherished beliefs about the role of the State in the economy and in society, part of a desperate bid to remain in power.

The recent admission by the Socialist party's leaders that unemployment cannot wholly be prevented from rising as the nationalised industries are restructured, and their new emphasis on efficiency and profitability as the best means to safeguard the welfare state, provide dramatic examples of the watershed that has been reached.

The forthcoming general election has heightened this climate of uncertainty. On the eve of the election neither the Socialist party nor the conservative People's Party appear to have succeeded in convincing the electorate that they alone have the answer to the country's problems.

Concern that the outcome of the election, which is likely to give the two major parties an almost equal number of seats in the 183-member Parliament, could weaken the democratic system is voiced only rarely on the hustings. It has been left to academics and the occasional journalist to underline the possible dangers inherent in a "Grand Coalition" of Socialists and conservatives of the kind that ruled Austria from 1945 to 1966. Such a coalition would threaten to overwhelm Parliament and would leave the role of opposition to parties that share a strong dislike for Austria's traditional consensus politics.

The reluctance of Socialist and conservative politicians alike to give anything like a proper airing to the subject of Austrian democracy can be put down both to the desire to avoid a repetition of the bitter arguments which marked last spring's presidential election campaign and to the understandable concern not to prejudice their plans for joint government.

It has been a hard job patching up the political consensus which, since the Second World War, has become Austria's credo. The controversy over allegations concerning the wartime activities of Dr Kurt Waldheim, the winner of the presidential election, opened wounds that most Austrians would prefer to forget.

Dr Waldheim's resounding victory over his Socialist rival, Dr Kurt Steyrer, strengthened the conservative tide that appeared to be sweeping through the country after 16 years of Socialist-dominated governments.

But since the election that tide has been slowed down—perhaps even reversed—by Dr Franz Vranitzky, the personable 48-year-old former banker and finance minister. Dr Vranitzky was appointed by a deeply demoralised Socialist party as its new Chancellor following Dr Waldheim's victory.

A hard-headed pragmatist unencumbered by too much Socialist ideology, and with undogmatic views about how loss-making state-controlled organisations can be made profitable, Dr Vranitzky has laid the foundations almost single-handedly for a "grand coalition" with Dr Alois Mock, the leader of the Conservative People's Party.

Even those on the left wing of the Socialist party who do not like their leader's flirtation with free enterprise economics are forced to recognise that Dr Vranitzky is the party's only salvation if it wants to remain in government.

SEATS IN PARLIAMENT

	People's Party (OVP)	Socialist (SPO)	Freedom (FPO)
1970-71*	78	81	6
1971-75†	80	93	10
1975-79	80	93	10
1979-83	77	95	11
1983	81	90	12

* Minority Socialist government. † Electoral reform in 1970 raised number of seats from 165 to 183.

Source: Federal Press Service

If the opinion polls are to be believed, the two major parties will be separated by only one or two seats at most. The balance will be held by a dozen or so members from the Freedom Party — an amalgam of liberals and right-wing nationalists — and the constantly feuding Greens.

Dr Vranitzky has made it plain that he has no intention of resuscitating his party's link with its former coalition partners, the Freedom Party. That coalition broke up following the election of the Freedom Party's young and charismatic but disquietingly nationalistic leader, Joerg Haider, who has pushed his party further to the right. On the undisputed assumption that Austria's proportional representation system will make it impossible for either of the big two parties to win an absolute majority, Dr Vranitzky has little choice but to waltz with the conservatives.

The prospect does not seem to daunt either the Chancellor or Dr Mock. On the contrary, both have gone out of their way at various times to emphasise how little divides them, which hardly makes for an exciting election campaign. Asked recently whether he was a Socialist, Dr Vranitzky replied: "Yes, but these simple labels are no longer relevant. I could turn the question round and ask: is Dr Mock really still a conservative?"

If the Chancellor is not, or perhaps no longer, a Socialist in the traditional Austrian sense of the term, it is not only because of his banking background.

A succession of crises has provoked a modification of traditional Socialist policies.

The opposition parties have concentrated much of their criticism during the election campaign on what they claim to be the financial mismanagement of the economy by successive Socialist governments. They stress that deficit spending to maintain full employment has left the country with a huge national debt and rising budget deficits.

The national debt has increased from Sch 47bn (£2.3bn) or 12.7 per cent of GDP in 1970 when the Socialists came to power alone for the first time since the Second World War, to an estimated Sch 604bn, or almost 42 per cent of GDP this year. During the same period, the net budget deficit has grown from only 0.6 per cent of GDP to an estimated 5.3 per cent of GDP.

At the root of the Government's financial troubles has been the crisis in the nationalised industries, which have absorbed huge and mounting subsidies, while returning record losses.

The general public and the politicians alike were particularly shocked at last year's record deficit of Sch 12.5bn from companies grouped within the Oiag, the nationalised industries holding company. The bulk of these losses, some Sch 11.75bn, were incurred by Voest-Alpine, the steel and engineering group, of which about one-third was accounted for by speculation on the oil futures markets. However, no one has attempted to deny that poor management and ill-conceived diversification projects were partly responsible.

The way that Dr Vranitzky has tackled these problems demonstrates the extent to which the policy gap between the Socialists and Conservatives has narrowed. A new management has been appointed at Voest, the Oiag group is being extensively restructured and the Government has announced that its next package of subsidies of Sch 28bn for the Oiag group will be the last. Every company will have to make a profit by 1990.

No doubt, the Chancellor does not go as far along the privatisation road as his political opponents and possible future partners, who proclaim that "Privatisation is not an ideological matter, but a question of survival."

However, Dr Vranitzky agrees that a certain measure of privatisation is necessary and last month announced a surprisingly substantial programme involving the sale or reduction of Oiag's holdings in several companies and the seeking of private, possibly foreign, partners for others. None of this could have been conceivable on the part of a Socialist chancellor only a year ago. It is symptomatic not only of the profound change in the public mood but in that of the Socialist Party itself.

If the electoral arithmetic is what everyone expects it to be, there will therefore be no unsurmountable obstacle to a renewal of the partnership which governed Austria for 21 years. The situation was succinctly summed up by Mr Michael Graf, the secretary-general of the People's Party:

"The Austrian people are consensus-minded. I don't think they would go either for an extremely conservative or an extremely socialist approach. Since Vranitzky is advocating the policies we were asking for all along, it must be possible to get together."

That cosy philosophy appears to leave out one problem: How will the opinions of ordinary citizens and voters be taken into account, when everything is settled at the level of party leaders and executives.

Even without a "grand coalition," Austria is a country where parliamentary democracy works imperfectly by the standards of some other Western democracies—though ironically, that is partially due to the country's highly effective "social partnership."

The fact that wages and prices agreements and other social policy issues are settled, for all intents and purposes, by a permanent commission of Government, trade unions, business and agricultural organisations, has led to an extraordinary period of industrial peace in Austria. The other side of the coin, however, is that Parliament is deprived of any real control over economic and social policy.

In the event of a "grand coalition," the ability of elected representatives to control government policy would be weakened even further and parliamentary opopsition would be confined to an avowedly right-wing nationalist Freedom Party and a few environmentalists. That is a cause of some concern within the big oplitical groups.

Yet the separate proposals put forward by the two main parties to remedy such a situation appear inadequate and vague to that section of the electorate, mostly young voters, who have become disenchanted with the political system.

Lip-service is being paid by both party leaders to strengthening "direct democracy"—in the case of the conservatives that would mean the holding of compulsory referendums on issues on which a requisite number of signatures have been collected from the public. Neither party would put this at the top of their agenda, however.

The Socialists, by contrast, are still talking imprecisely about strengthening parliamentary democracy through direct elections of individual "personalities" which would complement the existing party list system used in elections.

Whatever the relative neglect with which it has been treated in the election campaign, "the forgotten issue" is bound to surface again once a new government is in place. For it lies at the heart of Austria's continuing efforts to persuade the world and itself that it has become a mature democracy.

Men and Matters

Rime of a modern insurer

Samuel Taylor Coleridge, the Romantic poet, philosopher and theologian, was never noted for his expertise in financial matters. Apart from being addicted to opium, the author of Kubla Khan and The Rime of the Ancient Mariner was a notorious scrounger

So it was a strange quirk of fate that yesterday put his great-great-great-great nephew, David Coleridge, in the position of founding the City of London's newest conglomerate.

Coleridge, chairman of Sturge Holdings, the Lloyd's underwriting agency, announced that he is negotiating to buy Wise Speke, the Newcastle-based stockbroker. If the deal goes ahead, it may be the first time in the 298-year history of Lloyd's that an underwriting agent has tied up with a securities firm.

Coleridge, 54, joined the Lloyd's insurance market in the 1950s, and is still a familiar figure in the Lime Street underwriting room. The talks with Wise Speke began several months ago when he approached the firm, which was family broker for many years to a Northumbrian coal - owning dynasty of which his wife is a member.

He is well accustomed by now to inquiries about his famous ancestor. One of the first questions when he arrived as a new boy at Eton College concerned his family tree. And a boom in Coleridge studies in recent years has heightened interest in the connection.

But this week was doubly eventful for the Coleridge family. On Tuesday night, Coleridge's eldest son, Nicholas, proved that they have still not lost their literary touch when he was guest at a party celebrating his appointment as editor of Harpers & Queen, the up-market glossy magazine.

Another view

Sir Denis Forman, the knightly veteran of Britain's commercial television system, has obviously had enough of interferring politicians in general and Norman Tebbit, Conservative Party chairman, in particular.

In the current issue of The Listener, the chairman of Granada Television argues that machinery should now be set up to monitor the impartiality of politicians towards broadcasting.

The chairman of the Conservative Party can call the BBC before the Broadcasting Complaints Commission. Legislation should be amended to allow the Commission to investigate complaints by broadcasters against politicians.

"All ploitical parties are united in proclaiming their belief in the independence of broadcasting: we should take them at their word and ask them to take practical measures to safeguard it," Forman suggests.

Invisibles man

As long as City of London hands can remember, Bill Clarke, former Economics Editor of The Times, has been banging the drum for Britain's invisible exports performance, and reminding us that a Briton does not live by metal-bashing alone in the late 20th century.

Now David Thomson, aged 55, a director of merchant bank Lazard Brothers, is to take over the director-general's chair at the British Invisible Exports Council, when Clarke retires next year at 65.

Thomson is a career Lazards man apart from a period of secondment to the Foreign Office in the 1970s when he ran the economics department of the British embassy in Bonn.

He is a member of the Monopolies and Mergers Commission, and a member of the court of Henley Management College.

And, unusually for a financier, he is also chairman of a learned scientific body, the Royal Institution, housed in London's West End.

How does a banker find himself in a prominent post in the scientific world, I wondered? The answer is long links. Both sides of Thomson's family have been closely connected with the development of the institution. His wife's father, Sir Lawrence Bragg, used to be its head.

Clarke could reasonably claim to have invented that sector of the British economy called invisible earnings. At any rate his original study, "Britain's Invisible Earnings," published in 1967, was the catalyst which had the effect of making invisibles visible.

Midland post

Sir Kit McMahon is completing his new management team at the Midland Bank. A big slot was filled yesterday with the appointment of Ian Tegner as director of group finance. Tegner (who pronounces his name Tyner) is currently finance director of Bowater Industries, a post he has held for the last 15 years.

Tegner, 53, is best known to the business world as the man who dreamt up and carried out the eye-catching split of Bowater into two pieces in 1984, with half ending up in the US and half in the UK. Since then Bowater, a name once synonymous with paper, has sold of all its papermaking interests.

Not that he has any such drastic plans for the Midland. But he feels it is the job of finance director to think deep and hard about strategy, as well as to look after a company's financial structure and controls. Midland's future, is "a challenge," he says.

Commons touch

Tory Leader of the Commons, John Biffen, surveyed the politicians and political reporters comfortably rubing shoulders in London's Savoy Hotel yesterday, and observed: "In the City, they would call this insider dealing."

It was, in fact, the Spectator/Highland Park lunch for the presentation of the parliamentarian of the year awards.

The main award this year went to John Smith, Labour's industry spokesman, for a number of incisive Commons performances, notably during the Westland affair.

Smith accepted the case of whisky gratefully, commenting that politics was continually marked by its ups and downs. No sooner ha/ he heard t hat he was to get the award, than he opened a letter from a disgruntled voter who told him: "You'll not get my British Telecom shares yet you bald, owl-looking Scottish bastard. Get back to Scotland and let that other twit Kinnock go back to Wales."

A special award went to Norman St John Stevas who expanded the Commons' select committee system; a/d Dr John Gilbert, a Labour member of the defence select committee, was named inquisitor of the year.

Chief Secretary to the Treasury, John MacGregor, was adjudged the MP to watch; and Roy Jenkins was named backbencher of the year

Kind word

There seems to be a lingering, if grudging, regard for Britain in one corner of the old Empire.

A Bombay carpet company, anxious to sell in the British market, has asked one of the London trade bodies for "information on sales opportunities available in United Kingdom (remarkably a highly developed nation) . . . ."

Observer

ECONOMIC VIEWPOINT

There must be a better way

By Samuel Brittan

This article is adapted from the preface to the second impression of the Role and Limits of Government, due to be republished by Temple Smith early next year.

MOST OF the specific problems discussed in this book, which first appeared in 1983, are still very much with us. Examples are the international debt problem and the design of a stable monetary policy for avoiding both inflation and deflation in a world where money is almost impossible to measure, and where the monetary aggregates no longer bear a stable relation to income and spending. Above all, there are so-called "labour market rigidities" which prevent pay from settling at market-clearing levels and which are at the root of the long-term European unemployment problem.

The main thread linking the varying topics discussed is the corrupting effect of interest group pressures on the moral legitimacy, practical effectiveness and, ultimately, the very stability and sustainability of liberal democracy.

At least three new and subtle forms of interest group conflict have added to the problems discussed in the first edition. The first is the pressure on the US Administration to "do something" about the US trade deficit. The second is the international battle between the European Common Agricultural Policy, and US farm support. The third is that on the European side of the Atlantic, the influence of unions in pricing people out of work has become submerged in the wider problem of the conflict between *insiders* with reasonably stable well-paid jobs, and *outsiders*, whether unemployed, casually employed or otherwise on the fringes of the labour market.

Interest groups work by coercive pressures in the market place and by lobbying for favours from government. Such action, once it becomes predominant, has always posed a threat to the domestic functioning of national economies, and thus to liberal democracy. The agricultural and US deficit examples show how they are also destructive of prosperity and harmony internationally, with perhaps even graver implications for world order.

The basic reason for the US trade deficit is the structural shortfall of US savings below domestic investment.

The "problem" will probably in any case diminish as the US budget deficit falls as a proportion of GDP and as tax changes reduce incentives to invest and borrow.

The US political leadership is, however, unwilling to trust to these domestic correctives and presses for direct action either through exchange rate changes or through direct import limitations. The motivation for this sabre-rattling is, of course, the agricultural, energy and other interests that suffer when US growth is biased towards domestic spending rather than net exports.

Unfortunately, these inevitable pressures from interested parties are made respectable by those macro-economists who raise the alarm about the US current payments gap, but who do not sufficiently emphasise that until the domestic savings imbalance is rectified, attempted cures by means of exchange rate or trade policy are worse than the disease, and may not even work at all. (This lets Fred Bergsten partly off the hook.)

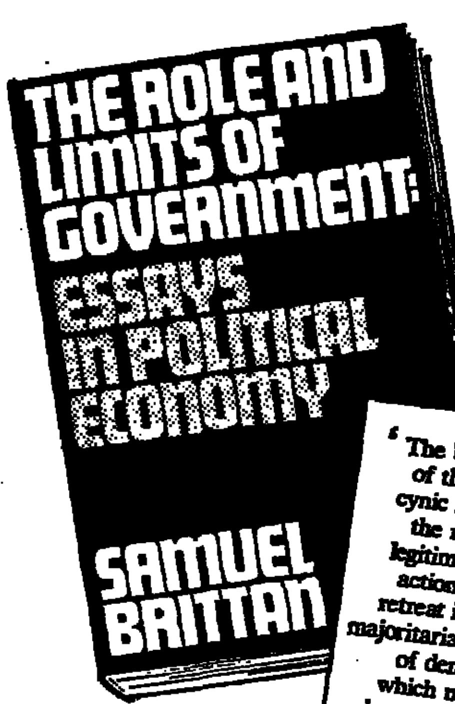
* * *

In Britain, as in most of Europe, the structural weakness is not in the savings-investment balance, but in the labour market. Despite high and rising unemployment, pay per head has risen for much of the 1980s, much faster than either productivity or prices. This has been fine for those securely at work but has provided the worst possible climate for job creation.

The big change here between the early and later 1980s is that in the more recent period it has seemed to be the employers rather than the unions who have made the running in pay awards. They are thereby contributing towards a dual economy of insiders with well-paid secure jobs and outsiders who drift between ill-paid labour and the dole.

Any institutional or legislative device such as profit-related pay or emergency taxes on pay increases which will encourage employers to price workers back into jobs is likely to help.

But at the end of the day, one should try to take seriously the view of many employers that they have to pay current wage increases to retain a properly motivated labour force. If asked why they do not recruit any of the unemployed, the employers' answer is rarely clear-cut. But it usually amounts to saying that the unemployed either do not have the right skills or attitudes or live in the wrong part of the country.



'The biggest mistake of the hard-boiled cynic is to underrate the role of moral legitimacy in human action . . . and to retreat into a shallow majoritarian interpretation of democracy in which no holds are barred for any group that has managed to obtain a temporary majority or plurality of votes.'

There is much circumstantial evidence pointing in this direction. Vacancies in the late 1980s are much higher than in some years in the 1970s when male unemployment was less than a third as high. Reported skill shortages also corresponded with those experienced when unemployment was much lower.

The entire additional rise in male unemployment in 1981-86 was in those without a job for over a year. The number of short-term jobless has actually fallen slightly. There has also been increased dispersion in pre-tax earnings, with the pay of the top 10 per cent of wage earners rising relative to the average, and the bottom 10 per cent falling.

This all adds up to a highly segmented labour market, with a large minority of workers demoralised from long-term unemployment or otherwise lacking in the skills, attitudes or geographical locations attractive to business.

We are left with a large hard-core of the unemployed, who can be broken up schematically into:

- Those whose earning power ("marginal product" in economic jargon) is so low that it does not pay them to move from social security to a job;
- Those who cannot afford to move to the prosperous part of the country because of housing costs.

The absurdities of British housing policy are well known, except to the Prime Minister. But it would be naive to suppose simple reforms would eliminate the above problems. Property and land have always been expensive in capital cities from Imperial Rome onwards. High real estate values are providing signals that low-value-per-acre activities are uneconomic in the nation's urban centres.

A sufficient cut in the dole, or a fierce enforcement of the work-search condition would undoubtedly force many people to find — or create — more low-paid jobs, of which the extreme example is selling matches at street corners. But it would still be wrong, harsh and ill-conceived. I am not saying yet that Lord Young's initiative deserves these strictures.

But having rejected policies for starving the unemployed back to work, it would still be desirable for people on the dole to be able to earn something extra in a legal way without losing all their social security entitlements.

The weakness of existing social security for non-retired adults is that it is largely conditional on specific misfortunes, such as unemployment. It is possible to move away from status related benefits in two opposite ways.

The first is to move further to income-related benefits. The disadvantages of this approach include the inevitability of high implicit marginal tax rates as benefit is taken off.

The second alternative would be a "social dividend" for all households, irrespective of earnings and with no taper. It would enable people who are content to live on a conventional subsistence scale to do so. Any work done to supplement this minimum would attract tax at the normal rate, and there would be thus no unemployment or poverty trap. The big disadvantage of a social dividend is that it would be enormously expensive.

A similar result to the social dividend could ultimately be achieved by the different route of a much more widespread citizen ownership of an equity stake in the nation's capital assets, achieved through a redistribution of shareholdings. Privatisation was a missed opportunity to distribute shares to all citizens.

Nevertheless, citizen shares are more clearly property rights and less liable to every gust of the political wind than any payment from the social security system. The link with the return from capital is much clearer; and if it were successfully achieved there would be no further grounds for radicals being opposed to profits or worrying about an increase in their share of the national income.

The benefits of a "modest competence" were enjoyed by the members of the propertied classes of the 18th and 19th centuries, such as those who figured in Jane Austen's novels. The main defect is that they were available to so few. A modest competence available to all can be regarded as the culmination of popular capitalism or libertarian socialism, alike.

These matters are not a digression from unemployment but central to the problem. Classical economists who rightly argue for market rewards to factors of production usually fail to face the problems of those whose work has a low market value.

* * *

The biggest mistake of the hard-boiled cynic is to underrate the role of moral legitimacy in human action. Without some kind of views about the rules constraining the pursuit of self-interest no human organisation could function—a truth attested by the saying: "There is honour among thieves."

It is hardly surprising that men and women have found it difficult to evolve appropriate notions of legitimacy for the mass national and international society in which we live. The two opposite mistakes have been to try to suppress self-interest altogether for supposedly higher ideals, an attempt which produces mainly bloodshed and tyranny, and to retreat into a shallow majoritarian interpretation of democracy in which no holds are barred for any group that has managed to obtain a temporary majority or plurality of votes. This is a danger on which Conservatives such as Lord Hailsham are eloquent in opposition when they attack "elected dictatorship," but fall strangely silent about once back in office.

There must be a better way; and those of us who deal in words and ideas have some duty to pursue it, rather than to be time-serving followers of a public opinion which is rudderless without a lead.

Lombard

Don't be gulled, Mr Nakasone

DEAR MR NAKASONE,

What is happening to Japanese economic policy? For decades, Western economic nostrums were studiously ignored in Tokyo and the Japanese economy performed magnificently—so much so that your citizens are now richer than President Reagan's. Now everybody in Japan seems to believes that it must copy the West rather than vice versa. How irrational. You should be giving us lessons in economic management rather than kow-towing to the US Treasury.

Take the issue of tax reform. Mr James Baker appears to want you to model a new system on the reforms recently announced in Washington. Don't be gulled: the reformed US system (as almost any serious US academic will confirm) is far from ideal and is in many respects inferior to the existing Japanese code. The Reagan reforms do precious little to encourage personal saving and may actually discourage corporate investment. The present Japanese code, to its credit, recognises the fundamental economic importance of saving and investment.

The silliest thing Japan could now do is to introduce Western style double taxation of saving. Your present practice of relieving from tax much of the interest on savings made out of taxed income is not discriminatory. It simply fails to penalise those who are willing to defer consumption. The result has not been "excessive" saving, merely sufficient saving to finance rapid economic growth. Mr Baker might note that if Japanese saving was lower, US interest rates would be higher because fewer foreigners would want his bonds.

Challenges

If you think tax reform is worth the effort, heed US academics rather than US politicians and become the first industrial country to introduce an "expenditure tax." This would mean granting all forms of saving tax relief and equalising the pre- and post-tax returns on every kind of investment. You would be doing no more than making systematic Japan's existing, commonsense fiscal approach to saving. The socially-divisive cuts in personal tax rates urged by the US are a poor substitute for moves towards genuine fiscal neutrality.

Financial deregulation is the other issue on which Japan should be guided more by its own history than by Western rhetoric. Is it a coincidence, Mr Nakasone, that the UK and the US both have weak, uncompetitive industrial sectors and overgrown and unruly financial centres? If an open and "free" financial sector is so important, how did Japan manage so very well without one? How does West Germany manage today? The last thing you want to do is create a Wall Street in Tokyo. It is better that the cream of your youth faces up to real engineering and scientific challenges than the artificial, and often socially useless, financial puzzles spawned by competition between securities houses.

Rejoinder

Of course, you may reply that Japan understands very well the importance of not letting the finanical tail wag the industrial dog and that it can see the flaws in the US tax system. The only reason for agreeing to these retrograde changes, you may argue, is to appease the Americans and attempt to head off the even more damaging prospect of heavier protectionism.

This is a fair rejoinder, but it overlooks two things. First, as America's banker and creditor, you have more power than you yet appreciate. Second, the key to good trade relations probably lies in exchange rates. Rather than adopting sub-optimal tax and financial policies, you would do better to try to forge an east Asian currency zone akin to the EMS. You might then be able to exert more influence over the exchange rates of your neighbours such as South Korea and Taiwan and ensure that, when the yen appreciates, they too rise against the dollar. Grasping the currency nettle more firmly makes more sense than throwing a spanner in your own industrial works or aping the Anglo Saxons.

Yours sincerely,
MICHAEL PROWSE

Letters to the Editor

On their toes

From the Financial Director, John Toms

Sir,—Your leader "Toothless Bill on product liability" (November 18) showed very clearly why those engaged in manufacturing industries in the UK feel that their problems are not understood or, if they are, are being completely ignored by the media.

For a manufacturer to claim the defence that he has applied the latest scientific and technical knowledge with proper diligence and regard for the consumers' safety, must be regarded as extremely reasonable.

What further action can he be expected to take other than gazing into his already clouded crystal ball?

No mortal can be expected to possess knowledge or technology that has not yet been discovered or invented. Could you reasonably expect a surgeon, for example, to be sued in later years because although he has skilfully performed an operation, he has only used the science and technology available to him in 1986?

I believe that your conclusion is unreasonable, even for the large multi-national companies. How much more unreasonable, therefore, for those thousands of smaller companies, without the spare staff to monitor every scientific advance in the world? These companies are already struggling to cope with the complexities of PAYE, NHI, VAT, SSP, Health and Safety Executives, Government statistics and many more profit-draining burdens.

To suggest that manufacturers require "keeping on their toes" is absurd and frankly insulting. If only the remaining 20 per cent of the UK economy were as "on its toes" as the 80 per cent that actually produces something!

C. R. Knibbs.
Longton, Stoke-on-Trent

Liability for products

From the Chairman, National Consumer Council

Sir, — I agree with almost everything you said in your editorial, "Toothless Bill on product liability" (November 18) except for the headline. The NCC supports the Bill and does not think it toothless. It will make manufacturers strictly liable for many defects in their products and it will make claims by consumers easier.

But you are right to say that the "state of the art" defence must be removed. I have criticised the Government for allowing this defence and will continue to do so. It is clear that there is little problem in insuring against product liability risks, including development risks. We believe it is right that manufacturers should carry this risk and insure against it rather than passing it on to the individual consumer who cannot.

I do, however, take issue with you on one point. It would not be right for the UK to impose a total limit to compensation. This would mean that compensation could not be awarded until all claims had been calculated and would impose unacceptable delays on those suffering as a result of unsafe products.

Michael Montague,
20 Grosvenor Garden SW1.

Nothing like trying

From Mr U. Marx

Sir,—I am surprised that John Lloyd, in his article (November 17, Monday Page) makes no mention of Alexis de Tocqueville's observation that liberty and equality have hitherto proved incompatible. Tocqueville's track record in other respects is pretty good. He deserves serious consideration here as well.

U. P. Marx,
90a, Armorial Road, Coventry.

There's always a market

From Mr C. Smedley

Sir,—John Lloyd argues (Nov 17) that liberty does not consist merely in the absence of restraints (usually defined as restraint of the state) but in the positive possession of "positional" and economic goods. He misses the point.

The ownership of goods is not liberty nor confers liberty upon the owner. You cannot have degrees of liberty dependent on ownership. The right to own, or not to own, goods is, of course, part of a liberal society. Due to preferences, enterprise and judgment members of a liberal society have different "positional" and economic goods. The ownership of these goods is not static as Mr Lloyd implies in his article but ever changing in accordance with the normal economic activities of man.

The unemployed shipyard worker in Gateshead, used as an example by Mr Lloyd, who is free to send his son to Eton but who cannot take advantage of this freedom does, in a liberal society, have more important freedom of which he can avail himself. He can, for instance, sell his labour to the highest bidder, he can save or spend his income as he wishes, he can change his job and his residence. His savings can go into government bonds or to set up a corner shop, his expenditure can go on food, clothes, holidays, betting or even, dare I say it, education for himself or his family.

Trying to confuse liberty with egalitarianism is misleading, trying to argue that we should all be equal in terms of ownership seems theoretically attractive to some, but is, in fact, an impossible dream because even if at any one point we were all equal in terms of "positional" and economic goods, within a second or two a trade would have taken place and inequality would reign again.

Charles Smedley.
18 Alderbrook Rd, SW12

Focus on design

From Mr P. Gorb

Sir,—My work has involved me over the last few years with most of the leading design consultancies in London. There are a number of issues which arise from Feona McEwan's article (November 12), which have been regularly discussed between us over the years, and which need clarification.

The first is to stress how few publicly quoted companies there are in this field. The financial performance of a handful of them does not necessarily represent the hundred or so very vigorous consultancies which are perhaps less well known to the City.

As to their performance the comparison with advertising agencies is not valid. The concept of an account representative will not wash in design, where the clients expect to deal with the principals of the consultancies creative or otherwise. Furthermore the payment structure in a multi-dimensional design consultancy is particularly complicated. Product designers may work on a royalty basis; environmental designers on a fixed commission; graphic designers on an hourly fee, and all of them may be working for one client. Furthermore each of these aspects of design have different time scales, and different levels of reporting in client organisations. All this makes design much harder to manage than many other consultancy activities, including advertising agencies.

Perhaps the hardest management task is dealing with the cyclical nature of the business. This is an inevitable outcome of the requirement placed on principals to move away from marketing to implementary roles and back again to marketing. It is not a satisfactory way of work even if it does meet clients needs.

As the article indicates, the focus is shifting even among the major consultancies. The industry is inevitably going to shake out along the lines that Wally Olins suggests. There will also be a very vigorous upsurge of specialist design activities arising from new technologies, and the increasing rate of change in the service sector.

This is particularly true of the corporate identity and environmental design work which is taking place in the City. As an outcome of Big Bang much of that work is going to need to be redone a few times before that revolution matures. The increasing rate of growth in leisure-based activities is going to create wholly new markets for designers. In this context derating by the City is irrelevant. It is my opinion that the design industry is on course for an even bigger bang.

Peter Gorb
(Senior Fellow in Design Management),
London Business School,
Sussex Place, NW1.

Revenue from roads

From the Director, Society of Motor Manufacturers and Traders

Sir, — Mr Bradshaw (November 4) tells us that analysis can wait: in other words, act now think later. He seems to believe that road users are a privileged class with a featherbed of state subsidies. True, certain bus services are subsidised, as railways are, because Government takes the view that it is socially desirable for them to do so. But does Mr Bradshaw seriously suggest that transfer of bus subsidies to the railways would be beneficial for public transport users in general, or would make a noticeable difference to the comfort of rail travel? I doubt if many bus passengers or rail commuters (especially in the London area) would agree.

If we consider road users in total, they pay enormous amounts to the Exchequer in car tax, VAT, fuel duty and vehicle excise duty. Government revenue from all these sources was almost £13bn in 1985. For comparison, public expenditure on road construction and maintenance was less than £2½bn. It is not difficult to understand why few road users will recognise themselves as the "favoured classes" referred to by Mr Bradshaw.

Anthony Fraser.
Forbes House,
Halkin Street, SW1

FINANCIAL TIMES

Thursday November 20 1986

Antony Thorncroft in London explains the background to a theatrical battle for funds

UK arts dance to a frugal tune

EVERY AUTUMN the arts industry in Britain embarks on a ritualistic dance. The Government, in the form of the Minister for the Arts, currently Mr Richard Luce, announces that the increase in its arts expenditure for the next year will be confined to its own optimistic view of the rise in inflation. For "real" growth arts companies will have to look to their own resources.

The arts world, orchestrated by the Arts Council, a 40 year-old body, the members of which are Government-appointed, and which has the task of deciding how the Government grant should be divided between the arts companies, then embarks on a public relations campaign to press for more money.

In quick succession Sir Claus Moser, chairman of the Royal Opera House, Covent Garden, and Sir Peter Hall, director of the National Theatre, voice their concern that if extra money is not forthcoming they will have to cancel some of their planned programmes. This time there really is a crisis.

When the Minister announces the grant, as he did on Monday, it is invariably well below what the Arts Council asked for but slightly higher than the arts world feared it would be. It will be just enough to get by.

This year the UK's opera and theatre companies, orchestras, arts centres, museums, art galleries, etc will share £339m ($481m). Mr Luce can pretend that this is a 5.4 per cent rise in expenditure, but he is well aware that more than half of the extra £17m is destined for the new British Library which is slowly rising in St Pancras, London, and which will have cost well over £200m by the time it is completed early in thr 21st century.

For the Arts Council the basic grant is 3.5 per cent higher, at £138.4m, well below the £164m it requested and just below its bottom line demand of £140m. The Council, arguing that inflation in the labour-intensive arts is at least 5 per cent, will have to decide in the next few weeks how it can spread the misery around its clients.

Mr Luke Rittner, the Council's secretary general, has been heard to say that he might welcome a really restrictive grant, which would force it to make some unpleasant decisions – such as cutting its £13m annual subsidy to Covent Garden. That would concentrate the Government's mind and perhaps force it to reconsider its penny-pinching attitude to the arts.

As things are, for 1987-88, the UK arts companies can expect to receive a rise in subsidy slightly below the inflation rate. It will mean that theatre companies will choose plays with smaller casts; orchestras will perform a more popular repertoire; opera houses plan fewer new productions. The arts will survive but they will not flourish.

The problem for the arts industry is that in the last 30 years it has been one of the few great British success stories. Its artists – Moore, Bacon, Hockney – are acclaimed abroad; as are its composers – Tippett, Maxwell-Davies, Lloyd Webber; its actors – Olivier, McKellen, Glenda Jackson; its directors – Hall, Nunn, Parker; its major companies – Covent Garden, the Royal Shakespeare Company, the National Theatre; and its orchestras.

A major reason why tourists spend almost £6bn each year in the UK is to attend its theatres and to visit its museums and art galleries. Somehow, despite a succession of sparse increases in Government grant, new arts companies have got off the ground throughout the UK in recent years – 30 new theatres in England alone, plus seven new opera companies and five major dance companies. Stimulated by the Arts Council, which has made it policy to redirect resources to the regions, the UK has never had such a flourishing arts scene. Last week Glasgow was confirmed as European city of culture for 1990.

Leading figures in the arts argue that these achievements have been secured despite the Government, and that many of them, especially the capital expenditure on theatres and arts centres, were made in the past. The cracks are beginning to show. Covent Garden, in particular, has been hit by a succession of problems in the past year – from a crucial cancellation by Placido Domingo to strikes by the orchestra and critical receptions for new productions – and at least some of these setbacks can be attributed to the fact that its level of Government subsidy is less than half that received by its rivals in Vienna and Paris.

Sir Peter Hall: threat to close plays

It is not as if the Government can accuse the major arts companies of waste. It commissioned an investigation into two of them – Covent Garden and the Royal Shakespeare Company – by Mr Clive Priestley, who concluded that both were underfunded.

But the Government's solution to what it considers to be a long succession of sob stories from theatre directors and opera house supremos is that they should look towards public and private sponsors, as well as the box office, for any additional revenue.

To its credit the Government is priming the pump. In 1984 it launched the Business Sponsorship Incentive Scheme under which companies that sponsored the arts could qualify for a Government cash contribution to the sponsorship. The 1986 budget gave tax incentives for private patrons of the arts. Through such measures arts sponsorship by business has risen from less than £1m to approaching £25m a year during the past decade. The Government argues that this second source of funding offers the best opportunity for the arts. Its own contribution will not be increased in real terms.

On the surface there is much recrimination between the leaders of the arts world and the Government. Beneath the surface there are many links between them. Mrs Margaret Thatcher, the Prime Minister, is known to enjoy the opera – unlike most of her predecessors – and Mr Nigel Lawson, Chancellor of the Exchequer, has also been seen at Covent Garden.

For all its tough talk the Government sometimes bends a little – not least in the matter of the heritage. When stately homes, such as Kedleston Hall in Derbyshire, seem threatened, it usually manages to find spare cash for restoration. It has also increased the resources available to acquire works of art in lieu of tax payments.

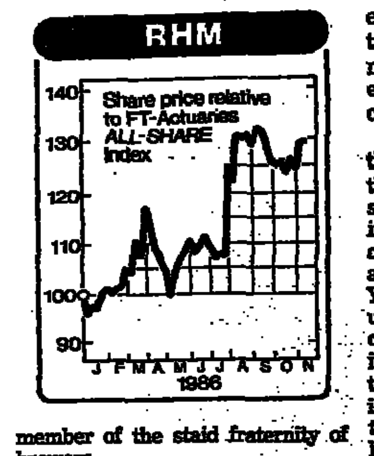
But the Government, unlike that in France has so far failed to seize the initiative and recognise that in the arts it has one of Britain's best ambassadors, which with a modest extra subsidy could become a willing ally rather than a sulky foe.

Arts reviews, Page 15

THE LEX COLUMN

More yeast for RHM's dough

Ranks Hovis has done so well to serve up pre-tax profits of £90.8m that the news may even be a touch better than the market finds comfortable. Market expectations are not RHM's affair, certainly, but had RHM come through with the £85m that was in the market beforehand, the figures would have been digested with more satisfaction, fewer questions asked, and more than 5p on the share price – now 267p. An extra slice of property disposal profits sat uneasy on the market stomach. And that was a pity, given such an exceedingly good result before property.



It would not be surprising if RHM's management felt itself to be in something of a fix. Five years' hard work on the baking business have at length come through in the shape of profits from bread, and the reorganisation has not merely thrown up those chunks of property that can be sold to gild the gingerbread, but degeared the balance sheet and financed an impressive reinvestment programme. RHM does not control the UK bread industry, but it is a lot closer to matching the efficiencies of AB Foods, which does.

Unfortunately, the RHM share register is now well stocked with Australasian names of dubious friendliness. Putting together the 14.3 per cent taken over from S & W Berisford by the Goodman interests with the near 5 per cent recently assembled by Fletcher Challenge, RHM must fear that a bid platform has been assembled. That is at best a distraction, at worst a pressure to push the profits very hard in the period before a bid has either to be recommended or repelled. The fear must be that, with a rising tax rate next year, RHM's earnings growth will slow this year, when a strong forecast may just be needed.

Whitbread

As a company which is increasingly a retailer, rather than just a plain brewer, Whitbread seems concerned to put everything in the shop window. So disposals of retailing property (public house), formerly treated as extraordinary, are now lifted above the line. In this change Whitbread is admittedly simply following brewers' convention. But the company has also decided to capitalise the interest incurred on the finance of major projects – voguish for a retailer, much less so for a member of the staid fraternity of brewers.

Improved cash flow is another reason for the reduction in the interest bill – the biggest single factor in the pre-tax profits increase of 17 per cent. While turnover, on a like-for-like basis, was up by about 10 per cent, trading profits were ahead by no more than 6 per cent. This suggests that Whitbread's increased share of the UK beer market came largely through the off trade, rather than the higher-margin tied business

But no one is concerned about Whitbread's management of its core business. The worries are about its diversification in the US, which over the past few years has absorbed about £150m of shareholders funds. Since Whitbread refuses to give figures for its US drinks distribution one simply has to take the company's word that its US operation is washing its face of financing charges, despite the recent sharp downturn in sales in the US wine and spirit industry.

More rapid growth in the company's UK retailing operations should see Whitbread making about £160m cum property in the full year. At 260p, down 10p, the A shares are on a multiple of less than 10, underlining the problems that a family controlled company has in a sector where takeover speculation is still the top inch of most market valuations.

Brierley/OT&T

The market in Ocean Transport & Trading shares recently has been such as to give both sides some reason for confidence ahead of tomorrow's close of the bid from Mr Ron Brierley's IEP (UK). Mr Brierley has been able to buy up to the 29.9 per cent maximum without much effort, and may have been forced to turn yet more sellers away. There may even be enough frustrated sellers about to give him control by accepting.

The opposing argument is that those who sold to IEP (UK) rather than accepting the offer, were short-term holders who had come in for the ride and took the cash because they expected the bid to lapse and the shares to fall afterwards. Yesterday's closing price of 251p, unchanged on the day, could be called in evidence by either side. It is low enough to provide a penny or two after expenses for the old-fashioned type of arbitrageur convinced that the bid will succeed, but not so low as to compensate for the risk of failure.

However, by buying a near 30 per cent stake Mr Brierley may have limited the downside risk. That amount of stock would be difficult to place if the bid fails, and if dumped on the market could even mean a loss to IEP (UK). Mr Brierley is more likely to hold on to the shares, in which case they should not fall far in the short term and could subsequently be worth a fair bit more, either through a further bid or if OT&T keeps improving profits.

Whether or not OT&T deserves another chance at independence is an issue that seems to have got lost in the more technical arguments. Certainly the record until recently would not justify turning down the bid. But after the push from Mr Brierley, and under the threat that he may remain a substantial minority shareholder, OT&T should now be trusted to provide a better return in future.

C. E. Heath

As the C. E. Heath share price slides (apparently on predestinate rails) towards the 484p at which Hambros is due to place the shares, the value of odd parcels seems to have been moving the other way. For Hambros, on Tuesday afternoon at any rate, it seemed well worth paying 505p for a 4 per cent block. That is, after all, some 8 per cent of the voting power that it needs to push through its sale of the Fielding business to Heath. And well done, those arbitrageurs in Holborn. With the proxies in, yesterday morning, 505p may have come to look a bit over the odds. But there is still the meeting to come, on Friday.

Ferruzzi poised to buy 70% of British Sugar

BY CHARLES BATCHELOR IN LONDON

FERRUZZI, the Italian food and agricultural group, is expected to sign a conditional agreement within the next two days to acquire a 70 per cent stake in British Sugar, the UK sugar beet monopoly, for more than £400m ($568m).

The agreement, with S & W Berisford, the commodity trading and processing group which owns British Sugar, would be subject to the approval of the UK Monopolies and Mergers Commission.

Ferruzzi has been fighting for control of British Sugar with Tate & Lyle, the UK sugar refiner, for much of the year. The Monopolies Commission is studying both bids for control, although neither company has made a formal offer.

Ferruzzi has acquired a stake of nearly 24 per cent in Berisford, while Tate & Lyle has 10.5 per cent.

It emerged earlier this month that Ferruzzi was prepared to make an offer directly for British Sugar. The past two weeks have been spent in finalising negotiations. The Monopolies Commission has been kept informed about the Ferruzzi British Sugar talks.

The attraction for Berisford of selling a large share in British Sugar is that it would be able to retain control of the rest of the group.

Ferruzzi is Italy's third largest company and Europe's largest sugar producer.

Berisford bought British Sugar in 1982, but the group's fortunes have declined since then and it has been seen as a potential takeover target. Pre-tax profits fell to £53m in the year ended September 1985 from £80m the year before.

Tate & Lyle would have a virtual monopoly of the UK sugar production if it won control of British Sugar.

Rolls-Royce and GE end turbo jet engine revenue-sharing pact

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

ROLLS-ROYCE of the UK and General Electric of the US are ending their revenue-sharing pact on the joint development and production of the Rolls' RB-211-535E4 and GE CF6-80C2 turbo-fan jet engines because of increasing competition between the two companies.

The main example of this competition came last August when after a fierce fight Rolls-Royce won an order from British Airways to install another of its big jet engines, the RB-211-524D4D, in that airline's 16 new Boeing 747 Jumbo jets, with an option on 12 more.

GE made no secret of its disappointment and anger at losing that deal. It made clear its belief that under the pact with Rolls-Royce, the two companies ought to have worked together to ensure that GE won the BA order with the 80C2, with Rolls-Royce having a major stake in building the resulting engines.

But this was only one example of the way in which Rolls-Royce has been taking business away from GE with the 524D4D engine. Another has been the consistent ordering of that engine by Cathay Pacific of Hong Kong. Other Airlines are also poised to buy it.

The pact, set up in 1984, was designed to enable each company to get a share of specific engine markets in which either it was not already engaged or was behind in development, so as to expand sales, reduce development costs, and if possible avoid competition.

It was aimed at markets for "big thrust" and "medium thrust" engines that are likely to be worth many hundreds of millions of pounds through the rest of this century. The highly technically successful pact however has not prevented a competitive situation from emerging.

The pact permitted each company to undertake up to 15 per cent of development and production of the 80C2 and 535E4, respectively, eventually rising to 25 per cent.

This gave each company a share in markets they thought might be beneficial, while leaving Rolls-Royce free to develop its own 524D4D to higher thrusts as and when airline demand dictated, in competition with the 80C2.

Now, however, as the battle for the British Airways' contract has showed, the 524D4D has been improved so swiftly by Rolls-Royce that it has become a formidable rival to GE's CF6-80C2.

At the same time, the market for the smaller Rolls-Royce 535E4 has been sluggish. GE, therefore, is believed to feel it is getting the worst of the agreement.

But although both companies have agreed to end the pact, they recognise that there is no point in throwing away all the work already done, and that there is still merit in collaboration.

Accordingly, existing contracts on 80C2s and 535E4s will continue.

Crucial Lufthansa order, Page 5

London markets weaken

Continued from Page 1

On Wall Street, trading volume was heavy but analysts said the tone was steadier compared with Tuesday afternoon. Bargain hunting investors turned to the blue chips in pursuit of quality at current relatively low prices but further sharp falls were suffered by shares which had risen sharply in recent weeks on the wave of speculative takeover buying.

This selling was hastened by reports that a number of mooted takeovers were running into financing difficulties and the news that Drexel Burnham Lambert, a leading Wall Street investment firm, had been subpoenaed by a grand jury in connection with the Boesky case.

In London, the dollar ended on a weak note at DM 2.0075 compared with the close on Tuesday at DM 2.0125 despite the upward revision of US third quarter gross national product.

Although Mrs Thatcher's objections to EMS entry are already well known, her comments still encouraged selling of sterling, particularly by overseas investors. Her expression of strong opposition to higher interest rates also undermined the pound.

She echoed a statement by Mr Nigel Lawson, Chancellor of the Exchequer, in an interview on November 9 that sterling had fallen far enough against the D-Mark. But she also expressed in strong terms her dislike of increasing interest rates and market intervention which appeared to differ in tone from Mr Lawson's assertion that interest rates would be raised if sterling came under pressure.

Sterling ended yesterday at DM 2.8475 compared with the close on Tuesday at DM 2.8650. Its effective index closed lower at 68.0 compared with the previous close at 68.2. Its low for the day had been 67.9.

UK Government bonds, which have been tracking sterling's movements closely, did not match sterling's afternoon recovery and yields on long-dated gilts closed above the key psychological 11 per cent level while the December long gilt futures contract price fell to new lows. One dealer described the mood as demoralised.

World Weather

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Italian banking reality

Continued from Page 1

strengthen their political positions but that lottizzazione (power sharing) in Italy is messier because of the number of parties which have to be satisfied.

Senator Rubbi is less embarrassed and certainly less querulous about the tortuous negotiations than, for example, Mr Renato Altissimo, the secretary of the Liberal Party. "Worrying" and "pathetic" are just two of the epithets which the Liberal leader has applied to the experience. In common with the Republicans and the Social Democrats, he has the dazed air of a man who has been left only with his small change after a lightningly clever mugging.

The main perpetrators have been the Socialists and the Christian Democrats. While it has been Mr Giovanni Goria, the Christian Democrat treasury minister, who has insisted on the necessity of finalising the appointments, it is the Socialists of Prime Minister Bettino Craxi who have defined the bargain to be struck.

With an attention to detail worthy of any bank analyst, the Socialists totted up the current share-out of bank presidencies and concluded that the Christian Democrat hegemony was out of proportion to the party's parliamentary strength in the governing majority.

To be exact, the Christian Democrats were holding 14.17 per cent more bank presidencies than they were entitled to, the Socialists 7.36 per cent less while the Republicans, Liberals and Social Democrats fell short by 5.54 per cent, 2.97 per cent and 1.35 per cent respectively.

Regional disproportions were another convenient prop to the Socialist case as were funds controlled by the banks. The party's negotiators, for example, have reportedly argued without embarrassment that Christian Democrat retention of Cariplo, the giant Lombard savings bank with the third largest volume of deposits in Italy, must be balanced by the concession of more than one presidency elsewhere.

Clearly the Socialists are going to gain from the reshuffle, although the Christian Democrats may not be conceding much that is very dear. While the shareout has been determined in advance of tomorrow's meeting, just how individuals are selected for the jobs remains something of a mystery.

The formal procedure is that the government committee will decide on the basis of a list supplied by the Bank of Italy offering a choice between three nominations for each post.

In this case, the central bank's independence is more apparent than real. Senator Rubbi confirms that informal contacts between the parties and the bank ensure that most of the former's preferences receive the latter's endorsement. There is no suggestion, however, that the bank proposes anyone that it does not believe qualified for the task. It is possible, indeed likely, that the Government will appoint some people not on the central bank's list.

The end result, again confirmed by Senator Rubbi, is a management of public sector banks which is especially sensitive to government requirements. Indeed, some critics argue that the politically appointed presidents predispose the entire Italian banking system towards a compliant role in funding the government deficit – one of the highest in Europe as a percentage of gross domestic product.

It is reasonable to speculate that they also have another purpose. Rooted as they are in hundreds of local communities, the politically controlled banks can serve the local clienteles which, in aggregate, are the power bases of the parties. Thus it is that many Italians see their system as a "partitocracy" and doubt that it equates to Democracy.

Britain warns Japan over market access

By Peter Montagnon in London

MR PAUL CHANNON, UK Trade and Industry Secretary, warned yesterday that Britain might consider withdrawing securities dealing licences from Japanese firms in London if reciprocal access were not granted to British firms in Japan.

Speaking on the eve of his departure for a week-long visit to Japan, Mr Channon said he would be reluctant to enforce reciprocity, but "there is still a very serious imbalance" in respective market access.

The issue of reciprocity would loom large in his talks in Japan during which, he said, he would also be urging the Government of Mr Yasuhiro Nakasone to reduce its overall trade surplus with the rest of the world and to alter the tax treatment of alcohol sales, which the European Community argues discriminates against imported liquors in the Japanese market.

Mr Channon stated repeatedly that the concept of a free world trading system was at risk unless Japan took steps to reduce its $80bn trade surplus by opening its domestic markets to imports.

Four UK-based financial firms – Samuel Montagu, James Capel, Morgan Grenfell and Laurie and Milbank – have recently been invited to apply for securities dealing licences in Japan and department officials say the queue of pending applications is not long.

However, Mr Channon noted that the present situation was weighted heavily in Japan's favour. Altogether 57 Japanese firms are licensed to deal in securities in the UK and four have seats on the London Stock Exchange. By contrast only 11 London-based firms have securities licences in Japan and only three have stock exchange seats there.

INTERNATIONAL APPOINTMENTS

French Government picks its man for CDF-Chimie

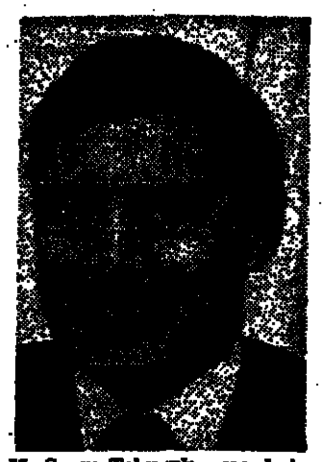
BY PAUL BETTS IN PARIS

THE FRENCH Government has appointed a new chairman—after a delay of more than two months—to head CDF-Chimie, the chemical subsidiary of the French coal board and the so-called sick man of the French chemical industry.

The Government hopes that Mr Serge Tchuruk, the new chairman of CDF-Chimie, will be able to resolve the pressing industrial problems of a group burdened by debts and losses which employs 16,000 people and has sales of FFr 26bn ($2.8bn) a year.

Mr Tchuruk has the reputation of being one of the top managers in the French chemical sector, and is credited with making a major contribution to the recovery in recent years of Rhone-Poulenc, the French state-owned chemicals group. Mr Tchuruk, aged 49, joined Rhone-Poulenc in 1980, and was managing director of the group before deciding to accept the challenge of managing CDF-Chimie. Before Rhone-Poulenc, Mr Tchuruk worked for about 15 years with Mobil Oil of the US.

His priorities at CDF-Chimie will be to try to work out a solution to the group's chronic problems in its loss-making petrochemical and fertiliser businesses. Moreover, CDF-Chimie is also in urgent need of financial support from the French Government to restructure its balance sheet.



Mr Serge Tchuruk, new chairman of CDF-Chimie: The French Government aims at resolving the company's industrial problems

The chairmanship of CDF-Chimie became open two-and-a-half months ago after the resignation of Mr Michel Hug, the former head of the French coal board who also managed the troubled chemical subsidiary. However, the new Conservative government decided to split the management of the coal board and that of the chemical group. Mr Bernard Pache, the former chairman of the nationalised aluminium and metals group, was appointed in charge of the coal board.

The two main candidates for the CDF-Chimie chairmanship were Mr Tchuruk and Mr Jacques Mayoux, the former chairman of Societe Generale, the French nationalised bank.

Following the departure of Mr Tchuruk from Rhone-Poulenc, Mr Jean-Rene Fourtou, the new chairman of Rhone-Poulenc, will also be taking over for the time being at least the responsibilities of his former managing director.

* * *

SEAGRAM COMPANY, the Canadian family-controlled concern which is the world's largest distiller and has interests in energy and chemicals, has elected Mr Charles F. Bronfman co-chairman with his brother Edgar, reports Reuter from Montreal.

He will continue to have senior responsibility for Seagram's liaison with the management of Du Pont, the US chemicals-based company which owns Conoco, the US oil company, and in which Seagram has a 22.5 per cent interest.

New head at Litton Industries

By Our Financial Staff

LITTON INDUSTRIES, the California-based concern with interests ranging from advanced electronics and defence systems to industrial automation and marine engineering and to other fields, has elected Mr Orion Hoch, its president, to the additional post of chief executive. Mr Hoch, aged 57, succeeds as chief executive, Mr Fred O'Green.

Mr O'Green, 65, is to remain chairman, the change is expected to become effective on December 11. "This is a long-planned succession and a logical transition at this time," says Mr O'Green, who is to continue to serve on the executive committee, with Mr Hoch and Mr Joseph Casey, the chief financial officer.

Mr Hoch has been president, chief operating officer and a director at Litton since 1982. He began his career with the company in 1957, but left in 1974 to become president of Advanced Memory Systems and its successor company, Intersel.

Mr O'Green has been chairman and chief executive since 1981, having joined the company in 1962 as general manager of the guidance and controls systems division. Before joining Litton, Mr O'Green was technical director of space programmes and assistant general manager at the space division of Lockheed Corporation.

Venezuela changes top oil management

BY JOSEPH MANN IN CARACAS

THE VENEZUELAN Government has appointed Mr Juan Chacin Guzman president of Petroleos de Venezuela SA (PDVSA), the national oil company and the country's largest and most important business concern.

Mr Chacin, now the second vice president at PDVSA, will replace Mr Brigido Natera, who is retiring after 35 years in Venezuela's oil industry. At the same time, the Government has announced that Mr Pablo Reimpell is to stay on as PDVSA'S first vice president and that Mr Frank Alcock, currently president of Corpoven, a major operating subsidiary of the state oil monopoly, is to take over as second vice president at PDVSA. The appointments are effective from December 1.

Mr Chacin is a veteran petroleum industry manager. He held his first job at an oil company here as a university student. He is a geologist with a degree from Southern Methodist University in the US (1955), and worked for the Venezuelan subsidiaries of Gulf and Exxon, the US oil companies, and was assigned to a post in the US by Gulf. He held a number of executive positions in Mene Grande Oil Company, the Venezuelan Gulf affiliate, and in 1974 became president of the Gulf subsidiary in Ecuador. A year later he was appointed president of several operating units in the Venezuelan oil industry during the period of post-nationalisation consolidation.

Before being assigned to the vice president's post at PDVSA in early-1984, Mr Chacin served as president of two major operating companies in the oil industry, Corpoven and Meneven.

PDVSA, a state-owned company with more than 43,000 employees, assumed control over the operations of all domestic and foreign petroleum companies in Venezuela at the beginning of 1976, when the oil industry was nationalised.

It is one of the world's largest petroleum companies. Last year, it produced an average of 1.55m barrels per day (BPD) of crude oil and exported 1.37m BPD of crude oil and refined products. Its proven crude reserves at the end of 1985 were 29.3bn barrels. The state oil company had total income in 1985 of US$14.8bn and a net profit of $1.8bn.

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The successful candidate, ideally aged 27-32, will be commercially minded, have had experience in a demanding business environment, and have the personal skills to make recommendations to management at Chief Executive and Board level. Applicants should have a good honours degree, preferably in a numerate subject. A formal accounting qualification or an MBA is essential.

The position is based at our Corporate Headquarters in Windlesham, an attractive Surrey village close to the M3.

Please apply in writing giving full details of qualifications, experience and salary history to Ms. R. Cornfield, The BOC Group, Chertsey Road, Windlesham, Surrey GU20 6HJ.

THE BOC GROUP

Accountancy Personnel

Placing Accountants First

UK RETAILERS SEEK HIGHLY MOTIVATED ACCOUNTANTS

owen owen

Owen Owen is a UK retail company operating 21 department stores with a turnover of £100 million. The company forms a part of the fast expanding Ward White Group. Due to internal reorganisation two positions have become available.

1. FINANCIAL AND SYSTEMS ACCOUNTANT
2. MANAGEMENT ACCOUNTANT

You will be qualified, aged between 25-35, with some commercial experience and good communication skills. An excellent financial package commensurate with experience will be offered to the successful applicants.

For further details please contact: Room G15, Cotton Exchange, Old Hall Street, Liverpool L3 9JR. Telephone: 051-236 3530

AN EXCITING OPPORTUNITY

NFC

£17,500 plus car, bonus and share opportunities

The National Freight Consortium is a large and expanding group based in Bedford and have interests in transport, travel and property throughout the U.K. and overseas. They are now seeking a qualified accountant to join their UK Corporate Finance team. He/she will provide a financial management service to one of the UK operating groups with particular emphasis on Group Quarterly Reviews, and projects.

Rewards are substantial. They include performance related increases, bonuses based on profits and an opportunity to acquire shares in this employee owned consortium.

Good promotional prospects.

For further details please contact: Ashton House, 489 Silbury Boulevard, Milton Keynes MK9 2AH. Telephone: 0908 661707

DIVISIONAL ACCOUNTANT

HEREFORD £ Fully Negotiable + Relocation

H.P. Bulmer Holdings Plc is an internationally renowned company responsible for the manufacturing and marketing of such brand names as Strongbow and Woodpecker ciders. In addition they distribute the Perrier Vichy and Contrex brands of natural spring waters.

An exciting and challenging position has now arisen for a young qualified accountant to assume total control of the management and financial accounting procedures of the Pectin Division. Reporting directly to the Financial Director you should be able to demonstrate good communication skills, initiative and commercial flair.

Future prospects are excellent and the salary package includes generous relocation assistance, non contributory pension and a profit sharing scheme.

For further details please contact: 54 Baldwin Street, Bristol BS1 1QW. Telephone: 0272 298911

SHORT CUT TO SHORT LIST

FOR GO-AHEAD YOUNG ACCOUNTANTS THROUGHOUT THE UK — AT SALARIES UP TO £40,000 P.A.

HALL-MARK
The Appointments Register

London House, 271-273 King St, London W6 9LZ.

Applicants:
To take advantage of our fast, free and fully confidential service, post off the coupon to:
Michael Polley, FCA, MBA, Hall-Mark Appointments Register, FREEPOST, London W6 9BR (no stamp required). Telephone: 01-741 8011/01-748 3444 (24 hrs.) Prestel 013903873.

SURNAME (MR/MRS/MISS) ____
FORENAME(S) ____
ADDRESS ____
____
____
POSTCODE ____ FT/20/11

Employers: Our consultant J. Bennett will be happy to discuss our services. Telephone him on 01-741 8011

Accountancy Appointments

COMMERCIALLY ORIENTED FINANCIAL CONTROLLER

Teesside — **c.£20,000 + bonus + car etc.**

Our Client, an engineering services company with a profitable turnover exceeding £12m, is a wholly owned subsidiary of a major American company which has similar interests throughout the world. The U.K. company is well established and has grown rapidly during recent years as the result of a number of acquisitions and the innovative development of the services it offers.

A commercially oriented financial controller who has gained broad based experience in a manufacturing company of a similar size, is required to lead the well established finance function. He or she will also be responsible for the company's mini-computer based systems.

As a member of the senior management team, the ability to make a strong contribution to business development is most important.

Applicants should be professionally qualified and have sound experience of systems development, and the presentation of timely, meaningful management information.

A high standard of financial accounting is also necessary, to meet both U.K. and American reporting requirements.

Naturally, in a role of this nature, well developed interpersonal skills, a strong and confident personality and the ability to play a team role are most important.

This is an opportunity to join a successful growth oriented company in a position from which previous incumbents have been promoted internationally.

Write in confidence, quoting reference L/706 and enclosing a full C.V. to: Alan Coppock, Executive Selection Division.

PEAT MARWICK

Peat, Marwick, Mitchell & Co., City Square House, 7 Wellington Street, Leeds LS1 4DW.

STEP INTO BANKING

c£26,000 + MORTGAGE + COMPANY CAR + PERFORMANCE BONUS + PROFIT SHARE + RELOCATION

Applauded by the National Press for their innovation and dynamism, this major CITY name always keeps at least one step ahead of the market. To maintain this enviable position they need to strengthen their proactive team of Financial Managers by making the following key appointments:

PROJECT APPRAISAL MANAGER

A massive budget for I.T. development has created this opportunity to evaluate a wide range of I.T. projects. Setting priorities, maintaining financial control and assessing suppliers will provide a challenge for a graduate QUALIFIED ACCOUNTANT (ACA, ACMA, ACCA) aged about 30, who can demonstrate numeracy, an understanding of systems development, interpersonal skills and the ability to manage an enthusiastic team.

FINANCIAL PLANNING MANAGER

Planning the future of the largest and most profitable division, your first objective will be to [illegible]

Each role represents an exciting entry point to a progressive and professional banking group. High levels of responsibility and visibility will be offered from day one: excellent career development will be the reward of individual merit.

As interviews will be conducted before Christmas, interested applicants should apply by 1st December.

Personnel Resources

To discuss these appointments in detail, telephone JANE EASTON on [illegible] or send C.V. to Personnel Resources, [illegible] Gray's Inn Road, London WC1X [illegible]

Recruitment Consultants

Highly Motivated Professionals with Directorship Potential

Age 28-35 — **Neg. High Rewards**

We are a growing Specialist Search and Selection Consultancy in the field of financial management appointments for qualified accountants or MBAs operating across a wide spectrum of seniority (currently c.£15-45,000 salary level). We have aimed to bring to bear a high degree of experience and knowledge of the market through the application of comprehensive and systematic sourcing methods combined with a personal and very professional service.

A fundamental characteristic has been our desire and ability to build long-term 'on-going' relationships with both candidates and clients, rather than confining our attentions only to those occasions when either is 'active' in the market place. We are also developing our growing computerised database of contacts in fairly unique and sophisticated ways to maintain our 'edge'.

Our firm belief in professionalism and high standards has been rewarded by our strong reputation and track-record which has been built up with an almost exclusively 'blue-chip' client base. Our business has developed largely through personal recommendation and referral with, in many cases, individuals dealt with as candidates themselves becoming clients.

As part of our policy of expansion we seek one or two individuals (who ideally are already experienced in accountancy/financial recruitment) to join our small team and who can demonstrate success based upon flair, motivation and a strong commitment to professionalism.

If you are attracted by and capable of responding to the challenge of making a 'visible' contribution to the growth of our business, we would be interested in talking to you.

Telephone Peter Flamsiger or Harry Chrysanthou BA, MBA, FCA on 01-439 6911, or write enclosing a CV and current salary details, to: Financial Management Selection, 21 Cork Street, London W1X 1HB.

Financial Management Selection

Specialist Search and Selection Consultants

Financial Controller

East Midlands
c £20,000 plus car

This quoted company engaged in a process industry is well established and profitable, employs around 200 people, and has a turnover of over £20 million. Many of its products are sold under a well known brand name.

Reorganisation has created a vacancy for a dynamic Financial Controller reporting directly to the Group Finance Director and responsible for financial accounting, ledger maintenance and cash controls. The person appointed will be expected to review and improve the accounting systems in accordance with current needs and business developments.

Initially, principal responsibility will be for the financial reporting systems of the main trading company with some involvement in other group companies and consolidations.

Applicants should be qualified accountants, preferably ACA, aged 28-35, with three years industrial experience in general accounting and financial control. They must be self starters with good leadership and communication skills, sound commercial awareness and the maturity to work at senior level.

This is a first class opportunity to join this ambitious company's management team. Longer term career prospects and conditions of service are excellent. Relocation assistance is available.

Applicants should write with career details, age and current salary quoting reference number MCS/1999 to Geoff Firmin,
Executive Selection Division
Price Waterhouse Urwick
Management Consultants
Victoria House
76 Milton Street
Nottingham
NG1 3QY

Price Waterhouse Urwick

Financial Manager

...with exceptional promotional prospects in a £40 million business

North West — **c.£20,000 + bonus**

The company, a nationwide distribution organisation, employs over 3000 staff in the North West alone, with an expanding range of services and products. Innovative marketing and ambitious business plans have established sustained market leadership in a highly competitive environment.

As a key member of the management board, you will be responsible to the General Manager for all accounting activities including the motivation and direction of a team of 40. You will have a broad span of involvement and influence, including the maintenance of standard costing and budget control systems, the monitoring of performance, provision of comprehensive management reporting and control/audit of revenue collection. Capital project evaluation, including new computer applications, and the audit of all financial operations will be your responsibility. Success in this role will yield very real promotional prospects.

Fully qualified, and probably in your mid-30s, you will have at least 3 years managerial experience in a varied commercial or industrial environment. A proven man-manager, you will have a thorough and up to date knowledge of computerised systems for forecasting and reporting.

The reward package provides significant bonus potential, generous benefits, and will include relocation costs where appropriate.

Please write – in confidence – with full career details – to Chris Brooks, ref. B.14041.

MSL International, Sovereign House, 12-18 Queen Street, Manchester M2 5HS.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International
Executive Search and Selection

Group Internal Auditor (Designate)

London — **c£20,000pa + car**

This appointment exists in a major £100m+ plc in the fast growing marketing communications sector based in central London.

You will report to the Group Financial Director and, subject to satisfactory performance, succeed the present Group *Internal Auditor on his retirement shortly.* Experience in a senior audit role in the profession or a commercial environment is the essential requirement and a relevant qualification will be advantageous.

This is an opportunity to make a substantial contribution to the internal audit function in a Group with a large number of operating subsidiaries both in the UK and overseas. Apart from the normal verification work you will be expected to appraise existing financial systems and procedures with a view to recommending improvements to meet the needs of a rapidly changing business. The ability to relate to and communicate with senior executives in the subsidiary companies is particularly important.

Ideal age 30-45 with a high degree of mobility. Salary indicator as above, with car, contributory pension and other benefits expected of a large organisation.

Please write, in confidence, with concise career history to J. W. C. Bull at Bull Thompson & Associates Ltd., Alliance House, 63-66 St. Martin's Lane, London WC2N 4JX, quoting ref. 1174.

Bull Thompson

CORPORATE AND RECRUITMENT CONSULTANTS

FINANCE DIRECTOR

A rapidly growing venture capital backed company in the fashion industry seeks a finance director designate. *This London-based company plans a public listing in the future.*

Applicants should be aged between 25-35 with professional qualifications and commercial experience.

The role will include supervision of the Accounts Department provision of management information to fellow directors, assistance with strategic planning, evaluation and negotiation of acquisitions and business opportunities and liaison with financial institutions.

This is an opportunity to join a well established growth orientated company and should prove intellectually and financially stimulating.

Commencing salary c£25,000 + car + bonus and Share Option Scheme.

Please write with CV to:

JEFFREYS HENRY
FINANCIAL SERVICES LTD

Wilec House, 82/84 City Road, London EC1Y 2DA.
Telephone: 01-253 7064 Telex: 892907

Deputy Controller

City — ***c£24,000 + car & Benefits***

Our client, a multi-million turnover international food group, seeks to appoint a Deputy to the Group Financial Controller who will retire in 2 years. Duties will cover the monitoring of group reporting, annual accounts, administration, accounting policy and the review of computer operations for long term networking. Candidates must be Chartered Accountants, 28/32, with relevant commercial skills and sound practical experience of computer systems backed by drive and ambition.

Applications to R. J. Welsh.

Reginald Welsh & Partners Ltd
ACCOUNTANCY & EXECUTIVE RECRUITMENT CONSULTANTS
123-4 Newgate Street, London EC1A 7AA Tel: 01 600 8387

Management Accounting

£18-£30,000 + Car
London Based

LINK
MANAGEMENT SELECTION

In order to increase business efficiency, this well-known multinational has established a new European Head Quarters in London.

One result of this is a new Management Accounting Function. This department will be responsible for the preparation of Head Office accounts, the analysis of performance *measurement against budget, forecasting* and long range planning and budgeting.

As a Qualified (ACMA) or highly experienced Accountant, age is not as important as your experience, vision and energy. Whether you are a member of the team or its Manager, you should have the desire and drive to take your career two stages further.

The starting salaries are £18-£30,000, plus company car, together with the usual large company benefits, and the opportunity to travel worldwide.

Please write with CV or telephone Shelagh Hancock, or Sue Kellaway, LINK Management Selection, 24 Buckingham Gate, London, SW1E 6LB. Tel. 01-834 3777.

WEST LAMBETH HEALTH AUTHORITY

ST. THOMAS' HOSPITAL, LONDON SE1 7EH

Senior Assistant Treasurer - Trust Funds

£15,326-£20,242 p.a. inc.

The Special Trustees for St. Thomas' Hospital are seeking an ambitious and enthusiastic accountant with good communication skills and initiative who will support the Finance Officer in providing financial services, financial control and financial management and advice to the Special Trustees.

You should be a professionally qualified accountant with extensive managerial and accounting experience gained at a high level.

Informal enquiries should be addressed to Mr K. D. Morgan, Finance Officer, on 01-928 9292 ext 2130.

For application form and job description, please write to the Personnel Department, or telephone our 24 hour answering service on 01-261 1185 quoting appropriate job title and reference P/82. Closing date will be 5th December 1986.

AN EQUAL OPPORTUNITIES EMPLOYER

Accountancy Appointments

INDOSUEZ ASIA INVESTMENT SERVICES

FUND MANAGER-HONG KONG

THE COMPANY

Indosuez Asia doubled its funds under management in each of the past two years. Major growth, including the launching of new funds, is planned for 1987.

THE POSITION

A new Fund Manager is needed to take full responsibility for one of the existing funds, and possibly also to launch a new fund.

The job involves travel throughout Asia, from a base in Hong Kong. There will also be the opportunity to market the fund in America, Australasia, and Europe depending on the successful candidate's particular interests and experience.

QUALIFICATIONS

We are seeking a really bright, ambitious, and independently minded Investment Manager, aged between 25 and 30.

COMPENSATION

The compensation offered is excellent and includes free housing, a company car, and a performance related bonus.

Please reply in confidence enclosing full career details to: Box No. 11E1, Chronicle House, 4th Floor, 72-78 Fleet Street, London EC4Y 1HY.

FINANCIAL DIRECTOR

Stockton on Tees c.£25,000 + car etc.

Our Client, a successful and well established foundry company with a rapidly growing turnover of approaching £10m, is part of one of the fastest growing public companies in the U.K. The parent group has a turnover considerably in excess of £100m and is strongly profitable with surplus funds available for future growth. The foundry operation has been extensively modernised and this, plus a concentration on high margin specialist work, has led to an almost doubling of turnover during the last two years.

Our Client now wishes to recruit a strongly commercially oriented financial director to play a broad based commercial management role. Financial management responsibilities will be those normally associated with such a position but considerable emphasis will be placed on the further development of computerised systems, the provision of management information and the strengthening of business planning and control. The successful candidate will be expected to make a strong contribution towards the company's strategic thinking and future profitable growth. He or she should therefore be a team player with a strong and confident personality and well developed interpersonal skills.

Applications are invited from qualified accountants who can evidence the right blend of professional, technical and commercial strength and who have the personal qualities necessary to succeed in a challenging position of this nature.

Applicants should write in confidence, quoting reference no. L/703, enclosing a full C.V., to Alan Coppock, Executive Selection Division.

PEAT MARWICK

Peat, Marwick, Mitchell & Co., City Square House, 7 Wellington Street, Leeds LS1 4DW.

Divisional Management Accountant

c £22,500 + Car

This client is one of the leading service organisations in the UK with a widespread branch network supported by advanced computer and IT facilities, and a very ambitious management.

The Divisional Management Accountant will work closely with the Operations Director on the mainstream activities of the business providing budgeting, management reporting and analytical services both directly from Head Office and through a small team of management accountants strategically located throughout the regions. There is particular scope to develop statistical analysis of operational and financial data which will lead to fine tuning of customer services and improved profitability.

Applicants should be qualified accountants, aged 30-35 with at least 5 years relevant commercial/industrial experience including the knowledge to handle the statistical requirements. Personal qualities should include the ability to lead a team of ambitious young accountants and communicate concisely and clearly with all levels of management. Office location NW London with 20% business travel throughout the UK.

Please apply in confidence quoting ref. L 264 to:

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

AirPlus

Chief Financial Officer

New Company

c. £35,000 + Bonus + Executive Benefits

The AirPlus Company Limited is a new company with a new product, the AirPlus charge card for business travellers. After an intensive nine month study, 13 major European airlines have formed the company to launch the AirPlus card, which will provide corporate business expense services relating to air travel, car hire, hotel and restaurant charges.

Reporting to the Managing Director, the CFO will have complete responsibility for the financial, legal and tax affairs of this international, multicurrency business; management and statutory accounts, bank and contract negotiations, credit control, and a significant treasury and money market operation. First priorities will be to set up the core financial systems and controls, and hire a small specialist finance team.

Probably a graduate chartered accountant, aged between 35 and 50, you will need at least 5 years' experience in a senior financial management role in a multicurrency business, preferably from within a similar type of service industry. Personal strengths will be as a decision-maker and negotiator, with the energy and commitment needed to establish a new business. Fluency in two or more European languages, including English, would be an advantage.

An excellent remuneration package, including performance-related bonus, is available, and the company is likely to be situated to the west of London.

If you are interested, please apply immediately in confidence, quoting Ref. 898, and giving concise career, personal and salary details to:
Sarah Orwin,
Arthur Young Corporate Resourcing,
Citadel House, 5-11 Fetter Lane,
London EC4A 1DH.

Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Systems Accountant

financial services leader

Reading **to £22,000 + mortgage etc**

As the dominant force in a highly competitive and changing market, our client needs the support of the most advanced management information systems and associated financial controls.

This is therefore a key position in its accounting team embracing the analysis of a broad range of business functions, reviewing existing applications and developing new micro and mainframe systems.

The potential is enormous – both in terms of business and personal development. Success in this role will create far reaching opportunities within this company or elsewhere in the substantial group.

Applicants should be qualified accountants preferably aged under 30 with computer systems development experience. Benefits include a subsidised mortgage, non contributory pension and relocation assistance where appropriate. The company is based in prestigious new offices within easy travelling distance of London.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/544/SF.

Lloyd Management

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

ASSISTANT MANAGEMENT ACCOUNTANT

£11,750 pa

The Financial Times Newspaper is looking for an Assistant Management Accountant aged between 22 and 27 years. He/she will join a small team of management accountants involved with the preparation of monthly management accounts, forecasts and budgets, and the provision of other management information.

Ideally, you will have worked in an accounting environment and will be at the part-qualified stage of a formal accounting qualification. You should have had some previous experience of computers including basic financial modelling. The work will involve assistance with annual accounts preparation and analysis work.

Please apply with full C.V. to:

The Personnel Manager
The Financial Times Ltd
Bracken House
10 Cannon Street, London EC4P 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
LONDON - FRANKFURT - NEW YORK

Financial systems manager

South Coast, c£22,000 plus mortgage subsidy

C&L

As a successful, innovative organisation and a major force in the financial world, our client makes extensive use of computer resources in providing a highly professional service. The appointment of a financial systems manager is therefore key to ensuring that frequently changing management accounting and financial control requirements can be met in this fast moving environment.

Reporting to an Executive Director, you will lead an operational development team which supports corporate systems and new product implementation.
Your responsibilities will include the definition of systems and controls requirements, liaison with Data Processing, the review of specifications to ensure that user requirements are met and the control of systems implementation.

Aged from 30 and preferably a qualified accountant, you will be experienced in the development and implementation of data processing systems for high volume accounting applications. You should bring to the job a high degree of technical expertise covering accounting system controls, mainframe computer systems design and, ideally, product procedures of a financial services organisation. You will be committed to team work, able to successfully motivate your staff and have effective negotiation skills.

Please send résumés, which will be acknowledged and forwarded to our client unless a covering letter gives contrary instructions, to Janice Walden, quoting Ref. R.598.

Coopers & Lybrand Executive Selection

Coopers & Lybrand
Executive Selection Limited

Shelley House 3 Noble Street
London EC2V 7DQ
01-606 1975

CHIEF ACCOUNTANT

c £22,000 + CAR + RELOCATION **MIDLANDS**

A highly successful Electronics Manufacturer, part of a large U.K. Group, requires a production orientated individual to assume control of the financial management of an operating unit with a turnover of £20M.p.a. employing 1,000 people. The Company recognises the value of strong financial management, therefore the successful candidate wil' become a crucial member of the Factory Management Team, and must relish the opportunity to influence business strategy and profitability.

Reporting to the Factory General Manager, the Chief Accountant's duties will be to prepare and present all financial information relative to production costs in a clear concise fashion, plus prepare all reports and accounts for group and statutory purposes. In addition he/she will be responsible for an Accounting Department of 30 people encompassing financial accounts, costing, budgeting, salaries and all ancillary functions.

The ability to lead and motivate staff is essential, and 'Hands on' experience of computerised production systems such as M.R.P. would be advantageous. Candidates, aged 30+ must be qualified ACMA/ACCA/ACA with a proven track record in manufacturing and be used to working under pressure within tight deadlines.

For further information please call Epsom (03727)44311 or write enclosing comprehensive CV quoting ref. MB-126 at:–

Resource & Development Ltd.

SEARCH • SELECTION • APPRAISAL • TRAINING
RESOURCE HOUSE. 8A HIGH STREET, EPSOM, SURREY KT19 8AD.

STAFF ACCOUNTANT

Bachelor degree (or equivalent) in Accouting, with 2-3 years' general accounting and business experience in a small distributing sales office environment. Knowledge of financial reporting to United States will be a plus. Good communication and language skills plus fluent French and a knowledge of German. Full charge accounting functions in areas of Accounts payable, receivable, payroll, general ledger, etc., for three foreign sales offices. Prepare monthly financial packages to corporate office in United States. Coordinate sales and service activities between different offices and handle regular office administration work as well.

Apply to:
Nanometrics Europe Ltd., Holland House
Queens Road, Barnet, Herts EN5 4DJ

Mid-Surrey

Entrepreneurial Financial Director

c£30,000 package

This organisation is based in rural mid-Surrey—it is a young organisation allied to the Security Industry. The Company has ambitious plans for rapid growth on an international scale—both organically and by acquisition.

An essential and urgent requirement is for a highly competent and versatile Accountant to be appointed Financial Director—to play a leading role in the formation of Group structures and set up offshore Corporate Financial Services.

The man or woman chosen will have above average capabilities in Funding—Legal and Secretarial matters—Investments—Taxation—Computer Development and tight systems control in a developing Group situation. It is expected that all future expansion will be connected with the Security Industry Internationally.

Age is not important—the date on the birth certificate is less important than your capacity to make an effective contribution.

The person chosen will have an interest in all Companies in the future Group and will benefit from the profitability of each function.

Reporting to the Chairman/Managing Director—we are told that the man or woman chosen can expect to achieve very high earnings within a couple of years.

If this prospect appeals and you can respond to such a challenge—write to: Arthur Flitter,

Beaumont House,
Station Path,
STAINES,
Middx. TW18 4AL.
Telephone: Staines (0784) 62131 (8 Lines)

BEAUMONT MANAGEMENT SERVICES LTD.

Financial Appointments made easier

INSOLVENCY MANAGER

for

Clark Whitehill & Co

Chartered Accountants

As the Insolvency Practice is newly created in 1986, the attraction of this appointment is the scope it offers for making a real contribution to the development of services, including investigations, liquidations, receiverships and business advice.

For a capable and experienced Insolvency specialist currently at manager level in a recognised insolvency practice there is the opportunity of working closely with the Head of Insolvency to develop contacts, pioneer the high technical standards necessary and help build a specialist team.

As a national firm in the top twenty, Clark Whitehill has a progressive outlook towards the importance of top quality services embracing audit, tax, corporate finance, management consultancy.

The environment is stimulating and offers first class potential where ability is encouraged and rewarded.

Candidates, preferably qualified, must possess the technical abilities necessary to fulfil this role.

Based at the firm's London office in Holborn.

Salary negotiable from **£20,000 + car.**

Please write initially with a CV to Laurence Baehr at
Clark Whitehill & Co
25 New Street Square, London, EC4A 3LN.
01-353 1577

Accountancy Appointments

Rothmans International

Assistant Taxation Manager

West End — **to £20,000 + Car**

Rothmans International Plc is a leading group of companies with a wide range of interests including Tobacco, Luxury goods and Brewing.
They are currently seeking to recruit an Assistant Taxation Manager to work in their prestigious West End offices.
Assisting the Group Tax Manager the successful applicant will handle an interesting and varied range of work. This will include exposure to both UK and International Compliance and Planning matters, and specific one off projects.
This role offers an excellent opportunity for an ambitious young qualified accountant with two years' corporate tax experience to gain valuable commercial experience.
Candidates will possess strong interpersonal skills and be able to act with initiative and enthusiasm with minimal supervision.
The role will involve limited UK and overseas travel.
For further information please contact Jayne Thomas on 01-831 2000 (evenings and weekends 01-341 9885) or write to her at Michael Page Partnership, 39-41 Parker *Street, London* WC2B 5LH.

MP

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London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Operational Audit

a highly visible career stepping stone

ACAs mid 20s/early 30s — **£18–30,000 + mortgage etc**

Our client is one of the largest and most influential financial groups. The diversity and changing nature of its businesses and reporting systems have created exceptional career opportunities for ambitious young Chartered Accountants.

As members of a high profile team based in the **Central London** head office you will undertake operational reviews and appraisals of the group's activities, controls and information systems – a wide ranging brief which provides a thorough insight into the many facets of the group's business.

These are proven development positions enabling you to enhance and demonstrate analytical and communication skills in a highly computerised environment and, working with management at all levels, make a recognisable contribution to financial control.

Applicants should be qualified accountants aged mid 20s/early 30s seeking a first move from the profession or those with appropriate experience.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/526/BF.

Lloyd Management
125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

Gabriel Duffy Consultancy

Major Advertising Agency

Central London

Deputy Finance Director — **Up to £25,000 package.**

Our client is the most widely admired advertising agency of recent times. They have won more creative awards than any other agency in the UK or Europe, with commendations for being one of the most important professional influences during the past ten years.

Internal reorganisation has resulted in the need to appoint a **Deputy Finance Director** to take full responsibility for the finance function with a team of twenty staff engaged in the provision of both statutory and management information.

Probably aged 28-33, you will be a Chartered Accountant with a minimum of three years post qualification experience gained in or outside the profession. You will be able to demonstrate commercial flair, a high level of business acumen and the ability to communicate effectively at all levels. Experience of the advertising industry would be useful but is not essential.

Interested applicants should write to **Michael Herst,** consultant to the organisation for this recruitment assignment or telephone **01-831 2288** (day) or **01-550 1970** (evenings and weekends).

Gabriel Duffy Consultancy, Financial Selection and Search, 31 Southampton Row, London WC1B 5HJ.

Finance Director

Stepping Stone to the Top

Birmingham

£30-32,500 package + Car

Our client is a profitable, small group of companies with widely diverse business interests and is viewing this appointment as a stepping stone to becoming Group Finance Director in 1-2 years time.

The immediate need is for a Finance Director for their Contracting Division which operates mainly in Southern England and the Midlands. Turnover is approaching £20 million and the business is now poised, following extensive rationalisation, to move forward into an era of sustained growth.

But strong financial management will be essential and they therefore wish to appoint a high calibre financial executive to undertake this vital new role as a key member of the management team.

You will be a qualified accountant, aged 30-45, with several years experience at senior level in industry, ideally in Contracting. We will be looking for wide ranging experience including budgetary control, cash management and computer-based systems development. Keen commercial awareness, enthusiasm and a commitment to succeed will be the main personal qualities we will be seeking.

An attractive remuneration package, including profit share, car and relocation assistance, will be offered and career prospects are quite outstanding if you can show you have what it takes to reach the top.

Please send concise details, including current salary and daytime telephone number, quoting reference I2002, to W S Gilland, Executive Selection Division.

Grant Thornton
Management Consultants
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Closing date for receipt of applications: Wednesday 26th November 1986.

FINANCIAL TIMES
Thursday November 20 1986

Grundig forecasts DM 50m earnings

By Andrew Fisher in Fürth

GRUNDIG, the West German electronics company that was floundering with heavy losses three years ago, expects to make a profit of at least DM 50m ($25m) in the current financial year to next March, Mr Hermanus Koning, the chief executive, said.

This would compare with a loss for the year to March 31 1986 of DM 49m, down on the DM 185m of 1984-85 and lower than previously forecast. In 1983-84, before Philips of the Netherlands took over management control, it lost DM 286m.

Mr Koning, a Dutchman who was formerly with Philips in Germany, said that Grundig, built up after the Second World War and run until the early 1980s by the autocratic Mr Max Grundig, would be re-established as a healthy concern in about 18 months.

For 1987-88, he said a profit of about DM 200m would be possible. This would represent the achievement of his aim of a 6 per cent return on turnover, which would then be about DM 3.5bn. Last year, it was more than DM 2.9bn and Mr Koning said DM 4bn could be reached in a few years' time. Because of its past losses, Grundig was unlikely to pay taxes for some years.

Mr Koning said nearly DM 400m had been realised in cost savings since he took over at Grundig in April 1984. About half of this had come through job cuts in and outside Germany – Grundig now employs fewer than 20,000 people against about 40,000 seven years ago – and the rest through more efficient production and control of stocks and finances.

Philips owns 31.5 per cent of Grundig, with West German and Swiss banks holding 20 per cent. The rest is held by the Grundig family and a family foundation. Among its main products are colour television sets and video recorders.

Wickes expected to call off $1.7bn Lear Siegler bid

BY WILLIAM HALL IN NEW YORK

WICKES, the aggressive US West Coast building products and retailing company, is expected to drop its $1.7bn agreed bid for Lear Siegler, the Californian conglomerate, because it is having problems raising bank financing.

The $1.7bn bid is believed to be the first major casualty of the chaos in the high yield securities' market, commonly referred to as the "junk" bond market, which has surfaced following the revelations that Drexel Burnham Lambert, the biggest investment bank in the field, is being investigated for possible violations of US securities laws.

Drexel Burnham has raised over $1bn of junk bonds for Wickes so far this year and yesterday's announcement reflected the growing concern among some bankers that companies like Wickes will find it increasingly difficult to refinance their sizable bank borrowings in the junk bond market in future.

Wickes has told Lear Siegler that it has thus far been unable to arrive at a satisfactory agreement with its prospective bank lenders relative to the financing of Wickes' $93-a-share tender offer for all of Lear Siegler's outstanding stock. Lear Siegler shares dropped by $13⅞ to $76¼ in early trading yesterday.

Wickes' tender offer was conditioned on its ability to finance the acquisition on terms and conditions reasonably satisfactory to Wickes. It said yesterday that it was continuing its efforts to obtain satisfactory financing but it was not optimistic that it would succeed.

Lear Siegler said it was disappointed at the news but was continuing with its restructuring plans. Wickes shares were unchanged yesterday at $4 a share.

CPC to sell milling business

BY CHARLES HODGSON IN NEW YORK

CPC INTERNATIONAL, the leading US producer of grocery products, announced yesterday that it is to sell its $1bn European corn wet milling business as a key element in its wide-ranging restructuring plan.

The company, the world's largest corn wet miller, said the sale would enable CPC to reduce overheads by between $25m and $30m above the costs of running the European corn wet milling business.

The European operation, which has its headquarters, in Brussels, consists of 13 plants in France, West Germany, Britain, Spain, Scandinavia and the Benelux countries. It currently produces $1bn of net sales out of total CPC's annual sales of $4.2bn.

CPC, based in New Jersey, also unveiled a shareholder rights plan designed to make it more difficult to gain control of the company through "abusive or coercive tactics." It is another in a series of moves by the company to enable it to carry out its restructuring plan, aimed at maximising shareholder values and focussing future growth principally on its US and worldwide grocery products businesses.

Earlier this month the company announced plans to spend more than $800m buying back over a fifth of its equity. It hired Salomon Brothers, the New York investment bank, to develop a restructuring strategy.

CPC, the products of which include Hellmann's mayonnaise, Mazola corn oil and Knorr soups and sauces, made profits of $145.7m on sales of $3.3bn in the first nine months of this year. About 60 per cent of the company's revenues are derived from grocery products and 36 per cent from wet corn milling.

St Gobain raises profits forecast

BY GEORGE GRAHAM IN PARIS

ST GOBAIN, the glass and packaging group which is to be the standard-bearer of France's privatisation programme, is preparing for its offer for sale with an increase in its profit forecast.

Mr Jacques-Henri David, St Gobain's managing director, announced that overall net profits for 1986 would be about FFr 1.9bn ($228m), of which FFr 1.3bn would come from the group itself, excluding minorities.

In addition, capital gains of FFr 1.5bn have been chalked up from the sale of most of St Gobain's stake in Générale des Eaux, and medium-term and long-term debt has been reduced from FFr 14.5bn at the end of 1985 to about FFr 11bn.

St Gobain's two-week flotation campaign begins in earnest on Monday with the announcement of the price at which the Government will offer shares.

For 1985, St Gobain turned in net profits of FFr 1.5bn on turnover which amounted to almost FFr 68bn.

The Government plans to denationalise three state-owned groups under a wide ranging programme of handing assets back to the French private sector. St Gobain is to be the first. The other two are Paribas, the financial group, and AGF, the insurance company.

Stake in Western Platinum increased

By Stefan Wagstyl in London

FALCONBRIDGE, the Toronto mining group, has increased its stake in Western Platinum, the South African platinum producer, from 25 to 49 per cent. Falconbridge hopes the move will help it to sell its entire holding in the company.

The purchase follows a complex series of negotiations over the ownership of Western Platinum, which is 50.4 per cent controlled by Lonrho, the UK-based trading group.

In making the US$31.6m acquisition of the 24 per cent stake from Mobil Oil, the US group, Falconbridge has risked the wrath of the Canadian Government, which supports a ban on new investment in South Africa.

"This is unlikely to be popular in political circles ... but the company had to act to maintain its position," the group said.

Falconbridge attracted potential buyers for its 25 per cent stake in the platinum company when, earlier this year, it said the shares were for sale.

It was approached by a South African merchant bank, acting on behalf of an unnamed group, possibly a South African mining house, which also wanted to buy Mobil's interest. These shares had originally been sold by Falconbridge in 1970.

Mobil was ready to accept the South African offer but Falconbridge said it was not "acceptable."

Falconbridge said this left it with a "difficult choice." Under the terms of a 1970 agreement with Lonrho it would lose its right to board representation at Western Platinum if the Mobil shares were sold to a third party. The company said it would become "an ineffectual minority shareholder."

Falconbridge, which is trying to sell assets to cut its heavy debts, therefore decided to buy the Mobil shares.

CHEMICALS GROUP CHIEF AIMS FOR FURTHER ACQUISITIONS

Rhône-Poulenc still in the race

BY PAUL BETTS IN PARIS

RHÔNE-POULENC, the nationalised-French chemicals group, has become the latest large French company to fulfil a long cherished ambition to make a big US acquisition.

Although not quite in the same league as some recent US acquisitions by other European chemicals groups, the $575m takeover by Rhône-Poulenc of Union Carbide's agrochemical businesses has turned the French company into one of the top three agrochemical manufacturers in the world with Ciba-Geigy and Bayer. The move has also reinforced its position in the US market where it has traditionally been weak.

The Union Carbide deal also reflects the acquisition ambitions of Mr Jean-Rene Fourtou, Rhône-Poulenc's new chairman, who said: "The chemical industry is moving fast, and I felt that we must also be part of the general movement if we want to stay in the race."

Mr Fourtou's appointment was one of the most controversial by the French Prime Minister, Mr Jacques Chirac, to the French state industrial sector. A management consultant close to the French Republican Party, he was seen as one of the most blatant examples of a political nomination to the top of a leading state group by the Chirac Administration to satisfy former Persident Valery Giscard d'Estaing and his political camp. The controversy over his appointment does not appear to have inhibited Mr Fourtou's acquisition appetites, however.

Since taking over this summer from Mr Loïk le Floch-Prigent – also a political appointment by the former Socialist administration but who managed to become popular inside the chemicals group – Mr Fourtou has acquired Nattermann, a West German privately-held pharmaceutical company, with annual sales of about FFr 1.4bn ($215m) and the Anoline business of Monsanto. Excluding the latest Union Carbide deal which will be completed on December 17, Rhône-Poulenc will have spent about FFr 1.8bn on acquisitions this year.

Mr Jean-René Fourtou

The acquisition drive is part of the new chairman's general strategy to reinforce Rhône-Poulenc's presence in its core businesses which include chemicals, specialty chemicals, pharmaceuticals and health care and agrochemicals. He also wants to defend Rhône-Poulenc's position in textiles.

However, in areas where the French company remains weak, his strategy is to accelerate the search for strong international partners.

Rhône-Poulenc is seeking to become a minority partner associated with a stronger international group in certain textile sectors in some electronic fields and other areas in which it has diversified.

A good example of this is the French company's association with Toshiba of Japan to manufacture and market photocopiers for the European market. The venture, which will manufacture photocopiers at a plant in Normandy from the end of this year, is 60 per cent controlled by Toshiba, with Rhône-Poulenc owning the remaining 40 per cent.

Mr Fourtou has also decided to stop production of floppy disks in the US after its Brown Disc subsidiary continued losing money. Rhône-Poulenc acquired Brown Disc at the end of 1984 to enter the US floppy disk market. But the acquisition has shown losses as a result of the micro-computer slump in the US.

Despite the slump in the American agricultural sector, Rhône-Poulenc is confident that its new acquisition of Union Carbide's agrochemical business will pay off and enable the French company to remain a leading world player in this field.

Mr Philippe Desmarescaux, the head of Rhône-Poulenc's agrochemical business and the man who has been put in charge of the French group's US operations, says the Union Carbide agrochemical activities, which do not include the Bhopal plant in India, will complement the French company's existing operations in this field.

Union Carbide's agrochemical businesses employ 3,600 people worldwide including 2,500 in the US. The sales of the these operations are expected to total $450m this year. Rhône-Poulenc is bigger in this field with annual sales this year expected to amount to FFr 7bn in agrochemicals accounting for 12 per cent of the French group's overall sales.

Rhône-Poulenc employs 4,200 people in this sector in Europe, including 2,900 in France. Until now, its agrochemical businesses have employed only about 300 people in the US.

Moreover, while Rhône–Poulenc has traditionally been strong in herbicides and fungicides, Union Carbide is strong in insecticides, an area where Rhône-Poulenc has been weak.

The acquisition of the Union Carbide agrochemical businesses is not expected to pose any financial problems for Rhône-Poulenc, which expects to report earnings of about FFr 2.3bn this year, similar to last year.

In coming months Mr Fourtou will have to take more direct charge of day-to-day business at Rhône-Poulenc than he intended. His idea has always been to oversee the group's broad strategy and delegating day-to-day management. However, he has just lost Mr Serge Tchuruk, Rhône-Poulenc's managing director.

Mr Fourtou will also take over the responsibilities of Mr Tchuruk until he can find a new manager.

SPANISH VEHICLES GROUP ENTERS NEW PHASE

Enasa in solo drive for profits

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN MIAMI

ENASA, the state-owned Pegaso vehicles group of Spain, is entering a new phase in its frequently-stormy existence.

During the past year discussions which might have led to the group being sold to either General Motors of the US, Toyota of Japan or Renault of France have come to nothing. The Spanish Government now seems to accept that Enasa will only become viable through its own efforts.

This is a significant change in attitude. The Government seemed to have found a home for Enasa in the early 1980s when International Harvester (IH) of the US took control and actually moved in with a new management team. But IH withdrew in 1983 because of its own financial difficulties which caused it to pull out of the European truck business completely.

The search for another powerful parent for Enasa has been going on for most of the time since IH's withdrawal. Now the search has been brought to an end.

A Pta 28bn ($206m) investment plan has been drawn up to enable Enasa to continue on its own. The plan is designed to upgrade Enasa's technology and take it back into profitability by 1990.

It hinges on negotiations with the unions for another reduction in the workforce by about 1,000 to bring it down to 7,500. The number has previously been cut from 12,5000 in 1978-79.

Enasa has already made considerable progress updating its facilities. IH made a good start in reorganising and cleaning up the factories. Two years ago an engineering centre using computer-controlled equipment came into operation and an new paint plant was commissioned early this year.

Management changes are also in the offing. Mr Federico Sotomayor is to resign as executive president. His replacement will be named as soon as the Government can find someone willing to do the job. Some potential candidates have declined.

A new managing director has been appointed: Mr Acacio Rodriguez, who joins from the previously state-owned Spanish computer company Secoinsa, recently sold to the Japanese.

As part of the new style, an international sales division has been set up with Mr Norman Kurtis, an American who stayed on with Enasa after IH pulled out, as director.

"We will invest time, effort and money to expand exports to where it is possible to justify investment in heavy trucks," he said.

Mr Kurtis's responsibilities cover non-military export sales and subsidiaries outside Spain. Enasa has an assembly plant in Venezuela, wholly-owned distribution companies in Chile, France and Belgium as well as owning Seddon Atkinson, the UK heavy truck producer acquired from IH in 1983.

He said Enasa would continue to build up its dealer network through all the Western European countries and this year total export sales of non-military vehicles should increase by more than 10 per cent to about 1,500. The short-term aim is to double this.

Enasa truck sales have more than doubled in France and the company was recently awarded a contract for the supply of 100 urban buses to the Caracas metro in the face of competition from eight other major bus producers.

Enasa's share of Spain's heavy truck market, which has been buoyant this year, has improved by one percentage point to 41 per cent in spite of increasingly severe competition from imports.

However, Enasa's vehicle output this year will be relatively low and it needs co-operative ventures to continue in the business.

The group should build about 6,500 heavy trucks plus 4,000 vans and light trucks up to 4.5 tonnes gross weight plus 1,600 buses in 1986.

Joint ventures and other associations already include a deal to build gearboxes under licenses from ZF of West Germany. The urban buses to be supplied to Caracas are of a design provided by another German group, MAN.

Two years ago Enasa concluded a joint venture with Daf, of the Netherlands, to develop and produce a heavy truck (20 tonnes to 40 tonnes) cab. Daf had done most of the development work and the total cost to be shared is about Fl 140m ($61.6m).

A new truck range, the T3-series incorporating the joint cab, will be launched next year and later the cab will be used on the Seddon Atkinson 300 and 400-series models in Britain.

The contact with MAN could blossom into something more significant because talks have been held about Enasa using the six-to-10 tonne trucks produced jointly by MAN and Volkswagen at Hanover.

The MAN-VW vehicles might even be assembled in Spain under licence – but the talks have some way to go yet.

Enasa is estimated to have suffered losses of Pta 16bn last year on sales of Pta 63bn. This was about twice the forecast loss because the company was pushed off-course by the collapse of a military truck order – a coup in Sudan caused the cancellation – which left it with 1,700 unsold four-by-four models. Negotiations are going on with several countries about these military trucks.

Mr Kurtis said Enasa was already close to break-even at the operating level and would certainly produce an operating profit in 1987.

However, most of the company's capital has been absorbed by past losses and Enasa's chances of making a net profit depended on whether the Spanish Government agrees to another capital injection as part of the five-year plan being considered for decision next month.

As for the UK subsidiary, Seddon Atkinson's output this year should be about the same as the 1,700 for 1985.

Seddon's losses are gradually being reduced but there would be a small loss next year, Mr Kurtis said, followed by a small profit in 1988 as the UK company started selling trucks with the new joint-venture cab.

INTL. COMPANIES AND FINANCE

Earnings at International Thomson fall

By Our Toronto Correspondent

INTERNATIONAL THOMSON Organisation (ITO), the Canadian-controlled publishing, travel and energy group, suffered a decline in net earnings to £80m (US$112m), equal to 27.3p per share, in the nine months to September 30, from £88m, or 30.1p a share, a year earlier. Sales dropped slightly from £1.37bn to £1.31bn.

The setback is due to lower oil prices and the stronger pound. Expressed in sterling, oil prices received dropped from an average of £21.42 to £9.85 a barrel.

ITO said that information and publishing profits are well ahead of last year, with British regional newspaper and business magazines as well as US financial services and college publishers offsetting weak advertising revenues in the American business magazine market.

The 2.2m tour packages sold by the travel group last summer were more than double last year's total.

Mines restructure to raise Noranda cash

BY BERNARD SIMON IN TORONTO

THE OWNERSHIP of one of three new gold mines in the Hemlo area of Western Ontario is to be restructured with a view to raising cash for Noranda, the debt-burdened Canadian mining and industrial group which is the mine's largest shareholder.

Four companies – Noranda, Golden Sceptre Resources, Goliath Gold Mines and Hemlo Resources – have agreed to combine their interests in the Golden Giant mine by forming a new, as-yet-unnamed public company. Noranda will own 62.5 per cent of the new unit, but plans to lower its stake to around 50 per cent through a public share offering.

Noranda is a minority shareholder in Golden Sceptre and Goliath Gold Mines. Other shareholders in each of these two companies will end up with 14.2 per cent of the Hemlo mine.

Should Noranda reduce its interest in the mine below 50 per cent, proceeds from the sale of shares and the deconsolidation of the mine from its accounts would reduce its C$2bn (US$1.4bn) debt by around C$370m.

Golden Giant, widely regarded as the jewel in Noranda's crown, will be *one of Canada's* three largest gold producers when it reaches full production of 300,000 ounces of gold a year in 1987. Its operating costs are comparable with the richest South African gold mines.

Meanwhile, an appeal has begun in Toronto against an Ontario Supreme Court judgment earlier this year ordering Lac Minerals to hand over another of the Hemlo gold mines to International Corona Resources.

Lac is disputing the trail judge's finding that it took control of the Williams mine by making improper use of confidential exploration data supplied by Corona.

Castle and Cooke profits rise sharply

By Charles Hodgson in New York

CASTLE & COOKE, the diversified US group, yesterday reported sharply higher net third-quarter earnings of $22.1m compared with $5.3m a year earlier.

The Los Angeles-based company, whose interests include fruit growing and other food products, real estate and transport equipment leasing, had third-quarter revenues of $510.5m against $473.6m last time.

For the nine months, Castle & Cooke reported net earnings of $75.8m or, $1.41 a share, compared with $40.72m, or 77 cents.

The company, which has been undergoing a financial restructuring, said that results for the first nine months of 1985 reflected an extraordinary charge of $1.13m.

It added that the year-ago figures were pro-forma and were not necessarily indicative of what would have occurred had its merger with Flexi-Van, a New York transport equipment leasing company, in July 1985, been consummated.

All of these securities having been sold, this advertisement appears as a matter of record only.

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Stifel, Nicolaus & Company Incorporated — Sutro & Co. Incorporated — Thomson McKinnon Securities Inc.
Tucker, Anthony & R. L. Day, Inc. — Underwood, Neuhaus & Co. Incorporated
Wheat, First Securities, Inc. — Cable, Howse & Ragen — Carolina Securities Corporation
The Chicago Corporation — First Albany Corporation — First Manhattan Co.
Hanifen, Imhoff Inc. — J. J. B. Hilliard, W. L. Lyons, Inc.
Investment Corporation of Virginia — Laidlaw Adams & Peck Inc. — Needham & Company, Inc.
Neuberger & Berman — Newhard, Cook & Co. Incorporated — Raymond James & Associates, Inc.
R. Rowland & Co. Incorporated — Swergold, Chefitz & Sinsabaugh, Inc.
Van Kasper & Company — Wedbush, Noble, Cooke, Inc.

1,150,000 Shares

This portion of the offering is being offered outside the United States by the undersigned.

Goldman Sachs International Corp. — Merrill Lynch Capital Markets

Algemene Bank Nederland N.V. — Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft — Morgan Stanley International
Nomura International Limited — N. M. Rothschild & Sons Limited
Salomon Brothers International Limited — Société Générale
Union Bank of Switzerland (Securities) Limited — Yamaichi International (Europe) Limited
Banca del Gottardo — Compagnie de Banque et d'Investissements, CBI
Great Pacific Capital S.A.

November, 1986

CSR lifts first-half profits by 4% to A$57.5m

BY ROBERT KENNEDY IN SYDNEY

CSR, the Australian sugar and resources company, yesterday announced a 4 per cent net profit increase to A$57.5m (US$37m) in the half-year to September. The company also revealed that it was considering the divestment of a minority interest in Delhi Petroleum, its major oil and gas investment.

Mr Gavin Campbell, CSR's finance director, said the performance in the half-year was pleasing in terms of it being achieved in difficult conditions. "However, the overall return to shareholders is still unsatisfactory."

Nevertheless, the company has nearly completed streamlining moves and hopes the benefits will flow through in the second half and next year.

Mr Campbell said the successful restructuring of the Delhi debt represents a watershed for CSR, and the company is continuing to look for ways to improve the value of the Delhi business.

"One of the ways we have examined is the possibility of selling a minority interest in Delhi but we have yet to get involved in any talks along these lines and it's too early to say that it is a definite course of action."

The oil and gas activities are contributing substantially to CSR's profits despite the low oil price and it is hoped that a further restructuring in this area will result in a largely self-funding business with its management focus concentrated on the field.

"Oil and gas is a relatively high-risk industry and requires a different approach to capital and risk management from that appropriate to more stable industries like sugar and building materials, said Mr Campbell.

CSR's sugar profits were better in the half as a result of better efficiency and higher prices. The cement, concrete and quarrying, timber products and bauxite and alumina operations performed favourably.

The company's interest bill jumped from A$30.18m to A$59.52m as a result of bringing the Delhi debt on to the balance sheet, but that move was also reflected in a reduced tax bill from A$52.54m to A$27.49m. Sales were A$1.2bn against A$1.25bn.

CSR has declared an unchanged interim dividend of 9 cents per share.

Japanese banker calls for reforms

By Ian Rodger in Tokyo

MR YOSHIRO ARAKI, chairman of the Federation of Banking Associations of Japan, has called for the complete removal of barriers between different types of financial institutions in Japan.

Mr Araki, who acts as spokesman for Japan's banking industry, also strongly hinted that the country's huge postal banking system should be abolished as part or the current liberalisation of financial markets.

Speaking to the Institute of Foreign Bankers, he said that deregulation of short-term interest rates was the next item on the agenda, but it would be difficult to achieve this without reforming the postal banking system.

He pointed out that the postal banking system, which does not operate on market-related interest rates, held 33 per cent of the total savings by individuals in Japan. "If this system is not reformed, they could come to exercise market control and disrupt the banking industry."

Mr Araki, who is also chairman of Fuji Bank, noted that postal savings systems in the US and Canada had been abolished in the 1960s. In Holland, the postal system would be privatised this year.

Mr Araki also said that the present laws which oblige banks and securities companies to specialise in one type of financial business was no longer capable of satisfying the country's needs. "My view is that, in a regulated environment, everything becomes homogeneous but, in a deregulated market, people become truly specialised."

ACI ahead before write-off

BY OUR SYDNEY CORRESPONDENT

ACI INTERNATIONAL, the diversified Australian packaging group, yesterday reported a 15 per cent increase in net profits to A$35.8m (US$23m) in the half year to September.

The result excludes an extraordinary write-off of A$99.2m—related to foreign exchange losses on the financing of ACI's Queensland coal operations. A non-recurring gain of A$16.6m was recorded in the 1985 first half.

The improved operating outcome was achieved despite a severe downturn in the Australian building sector in recent months, Dr Brian Scott, ACI's chairman, said the figures showed that the company was maintaining its steady growth.

Sales edged up from A$1.07bn to A$1.09bn, and the interim dividend has been maintained at 8.5 cents per share.

On the immediate outlook, Dr Scott warned: "The rest of the year is likely to present more difficult trading conditions. There is little in the economy that gives us much cause for optimism."

Sharp rise in Santam earnings

By Jim Jones in Johannesburg

THE winding down of South Africa's short-term insurance rates war has contributed to a two-thirds increase in after-tax profits at Santam Insurance, although the company was unable to eliminate its underwriting losses.

The company increased its gross premium income to R549m ($245m) in the year to September from R436m in the previous year. The underwriting loss was cut to R0.7m from R3.9m after-tax profits were lifted to R15.1m from R9.0m.

In the past year, Santam doubled the number of its issued shares to 70m from 35m. As a result, earnings per share have fallen to 21.5 cents a share from 25.8 cents and the dividend has been raised to 13 cents from 12 cents.

Elron Electronic in the black at six-month stage

BY JUDITH MALTZ IN TEL AVIV

ELRON Electronic Industries, the Israeli high-technology holding company, has achieved net profits of US$2.1m for its first half to September, following a heavy $22.6m loss in the corresponding period last year.

Sales for the company, whose shares are traded over-the-counter in New York, showed a 20 per cent rise above their previous year's level to $79.2m.

Last year's losses were due to the company's $24.4m write-off of loans and investments in Elscint, its troubled subsidiary, which makes medical imaging equipment. Elscint suffered record losses of $116m in 1985-86.

According to Mr Uzia Galil, the president of Elron, the major contributor to profits this year was another subsidiary, Elbit, a manufacturer of military communications equipment and commercial computer systems. The subsidiary, in which Elron holds a 66 per cent stake, earned $6.6m.

Strength in HK property values

BY OUR FINANCIAL STAFF

A GOVERNMENT land auction in Hong Kong yesterday fetched HK$645m (US$82.7m) for a prime residential site, a price at the high end of local expectations which provides the latest in a series of indicators of strength in the territory's property market.

Sino Realty and Enterprises outbid Cheung Kong and New World Development, two larger rivals, for the 165,550 sq ft of land at North Point.

Pacific Dunlop buys US group

By Our Financial Staff

PACIFIC DUNLOP of Australia is to double its footwear presence in the US by buying Desco, a New York-based maker of shoes sold under the Revelations brand.

Desco, which retails through a 66-store chain, has annual sales of some A$60m (US$38.6m), and Pacific Dunlop is reported to be paying around US$20m. The Melbourne company already owns the Missouri-based Penaljo with turnover of A$45m a year.

JAPANESE COMPANY RESULTS

DAIWA HOUSE INDUSTRY
HOUSEBUILDING

Half-year to	Sep'86 Y	Sep'85 Y
Revenues (bn)	167	176
Pre-tax profits (bn)	9.61	8.87
Net profits (bn)	4.12	4.08
Net per share	9.94	10.43
Dividend	0	0

PARENT COMPANY

OHBAYASHI
CONSTRUCTION

Half-year to	Sep'86 Y	Sep'85 Y
Revenues (bn)	391	388
Pre-tax profits (bn)	10.56	10.04
Net profits (bn)	3.92	3.92
Net per share	6.35	6.67
Dividend	3	3

PARENT COMPANY

MITSUBISHI ESTATE
PROPERTY

Half-year to	Sep'86 Y	Sep'85 Y
Revenues (bn)	102	96
Pre-tax profits (bn)	27.43	22.28
Net profits (bn)	12.21	11.27
Net per share	10.14	9.70
Dividend	3.50	3.25

PARENT COMPANY

OMRON TATEISI ELECTRONICS
CONTROL EQUIPMENT

Half-year to	Sep'86 Y	Sep'85 Y
Revenues (bn)	116	119
Pre-tax profits (bn)	2.26	3.69
Net profits (bn)	1.51	2.54
Net per share	8.80	14.88
Dividend	5.50	5.50

PARENT COMPANY

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE NOVEMBER 14 1986

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	8.699	0.092	10.480	8.637
Australian Dollar	14.062	−0.347	14.630	12.830
Canadian Dollar	10.356	−0.538	11.704	10.356
Eurogilder	5.877	0.530	6.314	5.804
Euro Currency Unit	8.758	−0.307	9.524	8.164
Ten	6.306	−0.442	7.250	[illegible]
Sterling	11.542	1.450	11.932	9.751
Deutschemark	6.445	−0.340	7.100	6.318

Bank J. Vontobel & Co Ltd, Zurich • Telex: 812744 JVZ CH

Thomson Brandt issue offers interest hedge

BY HAIG SIMONIAN

A BATCH of US economic statistics gave dealers plenty to cheer over in the Eurobond market yesterday.

In the secondary market for straight dollar issues, prices rose in the morning on the back of firmer US Treasury bond prices at New York's close on Tuesday. Prices then dipped after revised gross national product figures suggesting the US economy is performing more strongly than expected. However, October's poor numbers for housing starts trimmed the gains, leaving bonds about ¼ up on the day. Floating rate note (FRN) prices were mixed in a quiet and largely professional market.

Thomson Brandt International issued a $100m 7¾ per cent 1991 bond, priced at 101¼, guaranteed by Thomson, the French electronics group.

Led by Morgan Stanley International, the bond can be converted over three months during the first two years of its life into a FRN of identical maturity paying ⅛ per cent over three-month London interbank offered rate.

The structure is similar to that recently offered by Denmark, though the conversion period is much longer. Investors choosing to convert will receive their fixed interest, subject to a 1 per cent conversion charge. The issue should appeal strongly to those wishing to hedge between fixed and floating interest rates, according to the lead manager.

Morgan Stanley International also led a $100m 7¾ per cent 1992 bond for Mutual of America Life Insurance Company, priced at 101¼. The borrower, which is the 40th largest life insurance company in the US, was making its first Eurobond offering. The market appeared to overcome the unfamiliar name, and paper was trading within its fees at less 1⅛-1¼ by late afternoon.

Yamaichi International (Europe) led a $120m 7½ per cent 1991 bond for Canon, the Japanese electronics group, priced at 101¼. The non-callable issue was quoted at less 2-1⅞, straddling its 1⅞ per cent fees.

Kanto Natural Gas Development Company issued a $40m 1991 par priced equity warrant bond, led by Yamaichi International (Europe) and guaranteed by Mitsui Bank. The coupon, indicated at 3⅛ per cent, will be set on November 26. The warrant exercise premium is expected to represent a 2½ per cent premium over the company's present share price.

Continuing last week's revival of the yen-dominated sector, the Kingdom of Sweden issued a Y25bn 5⅛ per cent 1991 bond, priced at 101⅞ and led by Nomura International. The issue was trading at less 2 bid by early evening, just outside its fees.

Morgan Guaranty led a A$75m 14⅛ per cent 1991 issue for Colgate Palmolive, priced at 101¼. This is the borrower's first Australian dollar deal, and is only its third Euromarket issue. The proceeds are being swapped into floating rate US dollars.

Despite the recent revival of Australian dollar paper, there is still investor demand for five year paper, according to the lead manager, which thinks the household name and high coupon will pull in Continental investors who feel the worst problems for the Australian currency are now over.

Commerzbank Overseas Finance Curacao, issued a SFr 125m 4⅝ per cent 1996 bond, priced at 99¾ and led by Union Bank of Switzerland. The issue is guaranteed by Commerzbank. Other recent German bank issues in Switzerland have been selling somewhat slowly, according to dealers. Secondary market prices in Switzerland fell between ¼ and ½ per cent. West German markets were closed.

In a bought deal, Swiss Bank Corporation led a SFr 100m 4¾ per cent 1996 par priced issued for the City of Yokohama.

The 4⅞ per cent bond for Small Business Finance started trading yesterday and closed at 97¾, above its opening price, but well below its 100¼ issue price.

The coupon on the $30m bond for Noritz Corporation was fixed at 3⅜ per cent, with a foreign exchange rate set at Y1,653.80. The conversion premium was 2½ per cent.

INTERNATIONAL BONDS

Eurocredit for African bank

BY PETER BLACKBURN, RECENTLY IN LOME

THE LOME-BASED Banque Ouest Africaine de Developpement (Boad) has made its first venture into the Euromarket with an Ecu 14m credit due to be signed in Geneva tomorrow.

The bank has seven French-speaking member countries, including some of the world's poorest. The countries also belong to the West African Monetary Union, which uses a common currency, the CFA franc guaranteed by the French Treasury.

Since its creation in 1973 Boad has approved loans totalling CFA 51.33bn ($155m) for 74 projects, mainly in rural development, agro-industry, basic infrastructure, telecommunications and power. Loan approvals rose 59 per cent to CFA 10.3bn for 11 projects in 1984-85.

"The Euroloan is a first step towards a credit rating and access to the international bond market," Mr Yao Hounouvi, Boad finance director, said in Lome.

Boad is seeking advice from the Abidjan-based African Development Bank which obtained two triple-A credit ratings in 1984.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 19

US DOLLAR STRAIGHTS — [illegible]

DEUTSCHE MARK STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Humana 5⅝ 98	120	*†96¼	96¾	0	−1⅛	[illegible]
Ireland 5⅝ 94	150	*†101	101½	0	−0⅛	4.95
Japan Dev. Bk. 5⅛ 97	100	*†102¾	103	0	+0¼	4.77
Oberos. Kftwrk. 5⅛ 95	100	*†103¾	103¾	0	0	4.79
Olivetti Intl. 5½ 95	100	*†104	104¼	0	0	4.90
Pepsico 5¼ 95	130	*†103¾	103¾	0	−1⅛	4.74
Phibro-Salomon 5⅝ 97	110	*†100½	100¾	0	−0¼	5.05
Ralston Purina 5⅝ 94	125	*†102⅞	103⅛	0	+0½	4.89
Sekisui Euro. 0 01	100	*†45¾	46	0	−0¼	5.60
US Steel 5¼ 96	200	*†88½	88½	0	−0⅛	6.94
USX Corpn. 5¼ 98	100	*†94½	94¾	0	+0¼	6.41
World Bank 5¼ 94	150	*†104	104¼	0	−2	5.11

Average price changes on day 0 on week −0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Amer. Expr. OS Cr. 5⅝ 91	20	99⅞	100⅜	0	−0½	5.83
Denmark 6⅛ 96	10	102	102½	+0⅛	+0⅛	6.05
GMAC 5⅝ 91	60	97½	98	+0⅛	+0⅛	5.92
EIB 6⅛ 96	25	100½	101⅛	+0⅛	+0⅛	6.01
Sweden Kingdom 5⅝ 95	20	97	97½	0	0	6.83

Average price changes on day +0⅛ on week +0⅛

OTHER STRAIGHTS — [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Imp. Chem. Inds. 10 03 £	100	90½	91	−0¼	−0¼	11.24
Imp. Chem. Inds. 10⅞ 92 £	75	95⅛	95½	+0⅛	+0⅛	11.91
Invst. in Inds. Int. 10 93 £	60	†91¼	91¾	−0¼	−0⅜	11.94
Leeds Bldg. Soc. 10½ 91 £	50	†94½	95	−0⅛	−0½	12.08
McDonalds 10⅞ 90 £	40	†96⅝	97⅛	−1	−1½	11.95
Nationwide BS 10⅛ 93 £	75	†91½	92	−0⅛	−0⅜	12.02
NSW Treasury 10⅝ 92 £	50	†93¼	93¾	−0⅝	−0¼	12.20
Royal Insce. 10⅜ 92 £	60	†96¾	97¼	−0½	−0⅜	11.46
J. Sainsbury 10⅞ 93 £	60	95⅛	95⅝	−0¼	−1¼	11.96
Trusthouse Forte 11⅛ 90 £	50	†96½	97	−1	−1⅛	12.30
World Bank 11¼ 95 £	100	100⅝	101⅛	+3	0	11.06
CoE 8¾ 95 LFr	600	†105	105½	−0¼	−0¼	8.02
EIB 8⅛ 93 LFr	1000	†105¼	105¾	−0⅛	+0⅛	7.47

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bldg. 94 £	0.08	99.40	99.45	10/10	10.08
Australia & NZB Perp.	0.025	99.45	99.55	30/10	6.15
Barclays Bank Perp. 1	0⅛§	100.42	100.52	2/01	7.06
Barclays Bank Perp. 2	0⅛§	100.20	100.30	14/08	6¼
Belgium, Kingdom of 91	0	100.52	100.62	19/02	8.06
BNP 5¼ 95	0.05	†101.77	101.87	12/01	6.8
Britannia 5 93 £	0⅛	99.64	99.71	8/10	10.19
Chase Manhattan Corpn. 91	0⅛	99.57	99.67	28/08	6.12
Citicorp 98	0⅛	99.02	99.12	29/08	7.19
Credit Lyonnais 5 00	0⅛	100.83	100.93	12/01	6.81
EEC 3 92 DM	0	100.28	100.38	20/08	4.44
EEC 5¼ 93 Ecu	0.0312	99.78	99.87	30/07	7.66
Halifax Bldg. Soc. 94 £	0.1	99.32	99.37	6/08	10.54
Lloyds Bank Perp.	0¼	100.50	100.61	9/12	7½
Midland Bank 01 £	0.1	99.72	99.82	7/11	10.6
Milk Mrktg. Board 5 93 £	0⅛	99.77	99.81	26/09	9.94
NatWest Perp. A	0⅛§	100.57	100.67	9/01	6.94
NatWest Perp. B	0⅛§	100.56	100.66	10/02	6¼
New Zealand 5 97 £	0.07	100.11	100.20	14/05	10¼
New Zealand 5 01	0	100.19	100.28	4/02	8.13
Prudential Corpn. 4 95 £	0.1	99.71	99.81	5/09	9.85
Shearson Lehman Hldgs. 91	0⅛	99.44	99.54	6/11	6¼
United Kingdom 5 92	0	100.12	100.20	7/10	7.19
Woodside Financial 5¼ 97	0	100.28	100.38	28/10	6.81
Woolwich 5 95 £	0⅛	99.61	99.66	19/11	10½

Average price changes on day +0.01 on week +0.06

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053	†247	249	+2	7.53
Fanuc 3¾ 98	2/84	7032	†259	261	−5½	94.40
Fuji Bank 2½ 00	10/85	1672	†149	150	+0⅛	2.41
Fuji Heavy Industries 3 00	8/85	676	103	104¼	−0⅛	2.30
Fujitsu 3 99	5/84	1320	132¼	133¾	−0⅛	22.69
Minolta Camera 2¾ 94 DM	2/86	1185	*99½	100½	0	59.94
Mitsubishi Bank 2⅝ 00	8/85	1768	143	144½	+1¼	3.53
Mitsubishi Trust 2½ 01	5/86	1680	132	133½	−3¼	−9.92
Mitsui Bank 2⅝ 01	4/86	101.9	121	122½	−0⅛	−98.02
Mitsui Trust 2⅞ 01	10/86	1990	96¼	97⅛	−6⅛	10.68
Murata 3½ 00	7/84	2398	176	178	−3⅛	28.67
Nippon Elec. 2⅞ 00	1/85	2295	224	226	−4⅞	208.79
Nippon Oil Co. 3 00	5/85	923	187	188⅛	−0⅛	−0.21
OKI Elec. Ind. 3½ 99	10/84	885	122¼	123¾	−1¼	2.12
Sanwa Bank 2⅛ 00	10/85	1486	136½	137⅞	+0⅛	4.73
Sumitomo Bank 2¾ 00	8/85	2142	136½	138	+0¼	6.51
Toshiba Ceramics 3 00	4/85	1734	119½	120¼	−1¼	4.42
Nippon Oil Co. 2⅛ 92 SFr	3/84	1052	*†132½	132½	0	12.80
Nippon Shinpan 2 92 SFr	3/84	801	*†179½	179½	0	26.70
Adecs 5 92 DM	12/83	520	*116½	117½	0	3.10

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

ENEL plans to tap US paper market

By Peter Montagnon, Euromarkets Correspondent

ENEL, Italy's state-owned electric utility, is to start raising money in the US commercial paper market making it the first Italian borrower to raise money in the US securities market with the effective guarantee of the state.

Yesterday it launched through Merrill Lynch a $200m note issue facility in the Euromarkets designed to back up the paper programme.

This is regarded as a breakthrough for Italian borrowers because it marks an apparent end to Italy's long-standing resistance to obtaining a US credit rating. The structure of the deal also gets round a number of technical problems relating to the use of the state guarantee.

Until now no formula has existed for such an operation because, although ENEL's debt can carry a formal guarantee of the Italian state, this applies only to long-term borrowings in the form of bonds.

Merrill Lynch said yesterday it had devised a scheme whereby the paper would be issued by a vehicle company, ENEL Commercial Paper Inc, which will use the proceeds to buy floating rate 10-year bonds issued by ENEL itself and bearing a state guarantee.

The bonds will carry interest at a rate indexed to the vehicle company's borrowing costs so that it can match precisely its cost of funds with the return on the bonds. Merrill said that as a result of this structure it expected the commercial paper to carry the top A1+P1 rating from leading US credit rating agencies.

The Euronote facility being arranged by ENEL to back up the commercial paper issue carries a 10-year life and an annual underwriting fee of 5 basis points. This is slightly higher than fees now being paid by other top European borrowers such as France and is designed to attract a high quality group of underwriting banks.

Because the facility is regarded as a back-up to the commercial paper issues, Enel does not expect to draw on it and Merrill declined to disclose the terms for drawings. Market indications are, however, that any drawings will carry a ceiling rate of 5 basis points over the London inter-bank offered rate for Eurodollar deposits. There will also be an allocation fee of a further 5 basis points paid to underwriters on any amount of notes returned to them in excess of half their total commitments.

Sydney in gold futures link with New York

By Chris Sherwell in Perth

THE WORLD'S first gold futures contract to be traded on two exchanges will be launched today in Sydney and New York.

The link, which marks another step to 24-hour global futures trading, is between the Sydney Futures Exchange and the New York Commodities Exchange (Comex), the world's most active gold market.

This is the third mutual offset arrangement to begin in Sydney in two months. Last month trading began in a US Treasury bond contract and in a Eurodollar interest rate contract under a link with the London International Futures Exchange (Liffe).

The agreements put Sydney in direct competition with Singapore's International Monetary Exchange (Simex) for business in the Asian time zone.

Simex is linked to the Chicago Mercantile Exchange, but its gold contract, unlike its financial futures contracts, is not fungible with Chicago, although this is believed to have been under discussion for some time.

The Sydney-New York contract is for 100 troy ounces of fine gold and will be traded in US dollars. Because of the link, a contract which is opened in Sydney can be closed in New York, and vice versa. The Sydney market will be open from 8 am and until 4 pm local time.

The Sydney exchange hopes to attract business from the US, Hong Kong and even Singapore. Officials say Asian traders will no longer have to swap out of the bullion market and into Comex futures overnight.

Chinese funding in Singapore

THE Fujian Investment and Enterprise Corporation (FIEC) of China has launched a 10-year US$50m bond issue in Singapore bearing a coupon rate of 8 per cent, reports AP-DJ from Singapore.

This is the first time the Chinese have come to the Singapore market for funds.

The issue is priced at 101 per cent and is due in 1996.

Peter Montagnon on a survey of lending to developing nations

Banks slow to build reserves

ONE OF the great uncertainties surrounding the developing country debt shock has been the question of how easily the international banking system could cope with any major disruption of debt service on the part of countries in financial difficulties.

Four years after the crisis first broke it is generally assumed that the system would be better able to cope. Not only have leading banks increased their capital substantially; they have also begun to build up substantial loan loss reserves against their developing country exposure.

Yet a new survey of the international banking system carried out by the London-based IBCA Banking Analysis suggests that the protection banks have built up in this way is still far from complete. In fact, banks in the countries with the heaviest exposure — the US, the UK and Japan — are still a long way from reaching levels of provision that IBCA regards as prudent, and even further from provisions that reflect the secondary market value of their loans. IBCA argues that this is one of the main reasons why leading banks are now having to go along with the latest rescue package for Mexico, even if their instincts tell them to question the wisdom of its approach.

Of all national groupings US banks have by far and away the largest exposure to the 10 largest debtor countries in Latin America, classified by IBCA as Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela. At $76bn it amounts to around a third of the total exposure of the international banking system to these countries, which stands at $235bn.

However, their loan loss provisions are among the lowest of any national grouping of banks. Most large banks have 5 per cent or less set aside for all problem sovereign debt, IBCA says.

In the UK, where banks have $29bn in exposure to the 10 Latin American countries, the picture varies. Some banks have provided fully for their exposure, others very little. Large banks have provided only 5 to 10 per cent.

In Japan, where the total exposure is similar to the UK, most banks have provided close to 5 per cent, a figure established by Ministry of Finance guidelines.

IBCA points out that in the UK and Japan the position has been helped by the weakness of the dollar, which has reduced banking exposure to Latin America in terms of local currencies. But banks in all three of the main lending countries have been "timid" in provisioning.

IBCA says this is because the amount they were able to set aside was influenced by the available earnings for such provisions rather than any unbiased assessment of risk.

IBCA argues that in present circumstances a reserve of 20 per cent against losses on loans to problem developing countries "cannot be excessive." By this yardstick, banks in several Continental countries have set up reserves that are more than adequate.

West German banks have provided between 30 and 50 per cent, as have banks in Switzerland. Swedish banks have provided about 50 per cent. In France there are no formal rules on provisions, but IBCA says most big banks have set up large reserves. Banque Nationale de Paris and Societe Generale reserves are running at over 30 per cent, while Credit Lyonnaise has somewhat less.

IBCA offers no figures on Italian banks, which have been among the more reluctant to join in debt rescheduling packages for the debtor countries. However, Italian banks have a total exposure to the 10 Latin American debtors of only $3.4bn and so the problem for them is small anyway. In Spain, where banks are equally resistant to new rescheduling packages, most large banks have reserves of around 10 per cent and some more.

SECONDARY MARKET PRICE OF DEVELOPING COUNTRY BANK LOANS (As % of face value)	Oct 85	Oct 86
Brazil	78	76
Mexico	80	57
Argentina	65	66
Venezuela	82	74
Chile	69	68
Peru	33	20

Source: IBCA Banking Analysis

Dutch banks have around 20 per cent reserved against problem sovereign debt, while reserves at Belgian banks probably average around 15 per cent, it says.

Canadian banks, meanwhile, face a requirement to provide between 10 and 15 per cent, which all major banks will meet this year, although the requirement itself is due to increase, IBCA says.

Against this background IBCA describes the current rescue effort for Mexico, which is to include a fresh $6bn credit, as "clearly bad banking." Mexico is already a bad credit risk and banks are being asked to pour good money after bad, it says. That many still seem prepared to do so reflects a high degree of political leverage exercised by Mexico, which has taken such decisions way out of the realm of banking.

"The Baker Plan (on easing the debt problem, launched by the US Treasury in Seoul last year) may result in banks providing funds, not to the creditworthy but to those countries in the best position to use blackmail," IBCA says.

Mr Robin Munro-Davies, IBCA managing director, notes that the shape of the latest Mexican rescue package depends heavily on its strategic importance to the US. Other countries, like Chile, which are less important to the US, stand less chance of being able to exercise such leverage. But the result is that official support for debt rescue packages has less and less to do with the actual or potential creditworthiness of the borrower and more to do with politics. In other words, it has become an arbitrary process in which banks should not be involved.

Commercial banks have, however, made themselves vulnerable to such a situation by what Mr Munro-Davies regards as their "imprudent" failure to build up loan reserves in the four years since the debt crisis broke.

"It is perfectly clear that they should have built up reserves," he says. "There is no law in the world which says that if a bank wants to set up provisions you can't do it."

Frankfurt bourse to upgrade prices system

BY ANDREW FISHER IN FRANKFURT

THE Frankfurt Stock Exchange, which accounts for half of all Bourse turnover in West Germany and has seen the value of dealings soar this year, is to install a new DM 6m ($3m) price recording system which it says will be the largest in Continental Europe.

It is also spending around DM 86m on rebuilding its trading and office facilities for the 1990s, said Mr Michael Hauck, chairman of the bourse. Building work was halted last spring because cost estimates had been exceeded.

He said that the new electronic price system, to be installed by Siemens, would be in operation next year. It would cover shares, options and convertibles, though not yet fixed-interest loans, of which some 6,000 are quoted in Frankfurt.

Mr Hauck said turnover in the first 10 months was well above that for the whole of 1985. The January-October figure was DM 277bn against DM 178bn in the same period of last year. The full 1985 total was DM 219bn. Domestic shares made up about 40 per cent of turnover.

The number of companies having shares quoted in Frankfurt for the first time totalled 13 up to mid-November compared with eight in 1985, he added. This new listing figure was the highest for at least 15 years.

With the latest turnover figures, rankfurt accounts for 52 per cent of German stock exchange turnover. There are seven other bourses, Duesseldorf being the next largest, and a new commission has been set up to bring them closer together. Total share turnover o fthe German bourses exceeds London's.

UK COMPANY NEWS

RHM ahead 28% thanks to big rise from bread

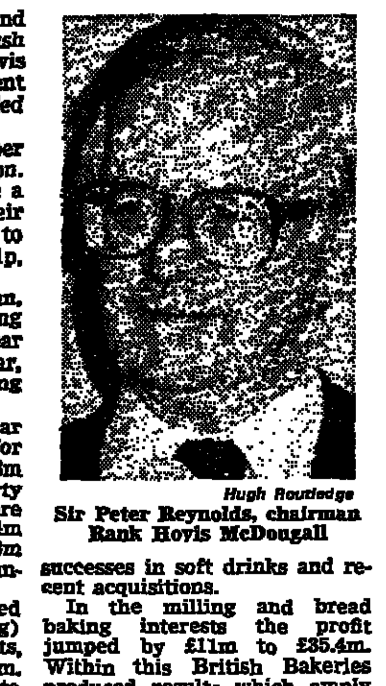
ADVANCE IN the bakery and grocery divisions helped push profits of Ranks Hovis McDougall up by 28 per cent to £90.8m in the year ended August 30 1986.

Group sales showed an 8 per cent rise from £1.3bn to £1.4bn.

Shareholders are to receive a 25 per cent increase in their dividend. The final is 4.49p to give them a net total of 6.61p, against 5.29p.

Sir Peter Reynolds, chairman, said yesterday that the opening two months of the current year were well ahead of last year, and "I expect this encouraging trend to continue."

Net operating costs this year included £1.5m (£1.1m) for rationalisation offset by £1.3m (£1.7m) profits on property sales. Below the line there were extraordinary costs of £7.4m (£10.5m), after charging £12.2m (£15.1m), before tax, for redundancies and closures.



Hugh Routledge

Sir Peter Reynolds, chairman Rank Hovis McDougall

Sir Peter said the packaged cake business (Mr Kipling) again produced excellent results, with profit up £1.7m to £15.2m. The grocery division rose to £15.6m (£10.9m), helped by the development of new products, successes in soft drinks and recent acquisitions.

In the milling and bread baking interests the profit jumped by £11m to £35.4m. Within this British Bakeries produced results which amply justified the investment programme embarked upon some five years ago, said the chairman.

General products side lifted its profit by £2.5m to £9.6m. It operates in diverse markets such as dairy products, mushrooms, chocolate, food mixes and pasta, and those showed further improvements; while its growing retail operations recorded excellent figures.

Overseas operations were ahead of last year with a return to encouraging profits from the US—up to £9.5m (£8.8m). Profits emanating from the Pacific Region were likewise ahead, but in sterling terms fell marginally to £12.4m (£12.7m).

Associated companies and other investments accounted for £5.2m (£1.6m), with property transactions being the principal reason for the growth. Interest charges rose to £12.6m (£8.8m) reflecting the need to finance a number of acquisitions and the higher cost of imported wheat stocks.

Earnings per share were 20.7p (15.5p), pre-extraordinary items, but were after tax of £28.1m (£23.2m) and minorities £3.7m (£3.6m).

See Lex

Sketchley ready to expand

Sketchley, the workwear rental and dry cleaning group, recorded a £644,000 drop in pre-tax profit to £5.55m in the half year ended September 26 1986.

New businesses contributed £642,000 to trading profit. Not all the funds from US disposals were re-deployed into new businesses so the group liquidity remained exceptionally strong.

Existing businesses improved their profit to £4.59m (£4.22m), but discontinued activities contribution fell to £295,000 (£1.81m), leaving the operating profit at £5.53m (£6.03m) from sales of £70m (£78.6m).

The directors said that not all benefits had been fully realised from the considerable investment made; but success could already be seen in record turnover produced by the UK and Canadian retail divisions.

The strong and growing base established, placed the group in an excellent position to develop and expand in the service sector. Further acquisitions were being sought.

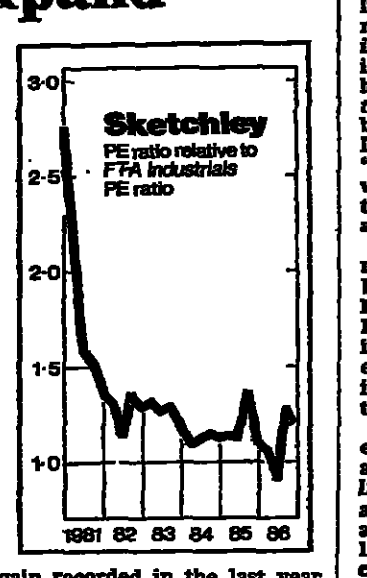
The group entered the vending and catering business through the acquisition of Breakmate, and workwear manufacture by buying CCM. Also, a number of small acquisitions were made.

Yesterday it said its next move would be into the removals business, where it would build up a chain of small regional removal units which could effectively compete with Pickfords, the present market leader. To build up to the required scale of business would take about three years.

The pre-tax profit included exceptional credits £97,000 (£507,000) and interest charges £76,000 (£841,000).

Earnings came to 16.8p (16.6p) and the interim dividend is raised to 6p (4.7p) to reduce disparity. Last year the final was 12.8p and the pre-tax profit £11.6m.

There was an extraordinary loss of £1.44m this time. This applied principally to the loss of some £1.8m on the disposal of Sketchley Diaper Services in September, offset by a gain of £400,000 on the sale of the remainder of the business of Sketchley Services in May—that was in addition to the gain recorded in the last year.



● comment

Sketchley's results are like a set of dirty overalls; one needs to scrape off the surface grime before they can look their best. The loss of the US diaper business has hit the bottom line, even before the extraordinary charge, and the companies bought as replacements, Breakmate and CCM, though performing well, have not yet had chance to make up the gap. But the Sketchley cleaning outlets have increased both sales and market share, Canada has picked up and the workwear division has managed to stand still despite the problems at its major customer, the Coal Board. Much still depends on the success of the remaining parts of Mr Glenn's strategy—to develop a removals business and a "fourth leg." It will be another year or so before investors are likely to be able to make a judgment on that—in the meantime, pre-tax profits of £11m put the shares at 418p on a p/e of 12.5. That does not seem overpriced.

Stothert & Pitt £6m in red

BY DAVID GOODHART

Stothert & Pitt, the loss-making Bath-based cranemaker which has agreed to takeover by Mr Robert Maxwell's Hollis Group, last night revealed pre-tax losses of £6.3m in the 15 months to September 30 1986.

The directors said that cash constraints badly affected production throughout the group, with particular severity in the final quarter. Contractors plant division suffered from the move to a new site and the worsening position in the oil industry hit the crane division.

Turnover was £31.9m, interest charges £879,000, and extraordinary items £2.8m. The extraordinary items include £1.4m attributed to reorganisation and redundancies, redundancies decided upon after the year end.

Mr George King, the former chairman and chief executive who was removed as chairman on November 14, is maintaining that no action should have been taken against him by the new board until after the EGM to approve the Hollis deal.

Mr King believes he has been made a scapegoat for the company's problems, despite effectively starting to tackle them over 14 months as chairman.

AE in threat to nominee holders

By David Goodhart

The engineering group AE is threatening to disenfranchise about 8 per cent of its shareholders unless the nominee accounts which hold the shares disclose their beneficial owners.

AE is currently resisting a final £270m bid from Turner & Newall and has agreed to merge with Mr Robert Maxwell's Hollis Group to frustrate the Turner bid.

However, AE fears that if the battle is close its fate could be decided by US arbitrageurs. Mr David Allday, the AE finance director, said last night that the ownership of 7 to 8 per cent of the company's shares remained unclear.

In the past week, more than 50 letters have been sent to nominee account holders asking for information about beneficial owners under section 212 of the Companies Act. If this information is not forthcoming then AE will seek to disenfranchise the shareholders, something it is able to do under its own articles of association.

AE also appears to be trying to capitalise on the current anxiety surrounding insider trading and is seeking information about shareholders who bought shares in the weeks before T&N's first bid for AE was announced last June. Mr Allday said: "We would like to find out who they are and ask them if they received any information about the bid."

The T&N bid—which is marginally above the Hollis bid—closes on December 5. It is widely expected that if Hollis remains serious about its first major move into engineering then it will increase its own offer a final time to make victory certain.

In the meantime, AE is expected to launch a fresh attack on the continuing liabilities arising from T & N's asbestos exposure. AE has already made the asbestos link—along with its African connection—one of the main planks of its defence, but Mr Allday said yesterday: "We may have some new evidence to provide on this."

Ulster TV makes voting changes

Ulster Television yesterday announced details of the proposed enfranchisement of its non-voting shares.

The independent television contractor will also ask shareholders to approve amendments limiting individual stakes to 10 per cent, in order to satisfy the Independent Broadcasting Authority's requirements for continuing control.

Ulster TV intends to create a single class of share. Holders of the current 710,000 voting shares will be issued one new share for every eight held to compensate for the dilution of voting rights.

After these are added to the 4.09m ordinary shares, which at present carry no votes, to make a total of 4,888,750 shares, there will be a one-for-one scrip issue.

Clay Harris on the changes taking place at Gestetner

Going for international stardom

GESTETNER is a plain but faithful friend to the secretarial pool. Speedo cuts a more splashy figure in the Olympic swimming pool.

But the world's most famous names in office duplicators and racing swimwear have this much in common: an Australian manager wants to develop them into international superstars.

AFP Investment Corporation discovered Speedo close to home. It took over the family-run Australian company earlier this year, convinced that the brand could be developed into what one analyst calls "the Adidas of the water."

A similar calculation led AFP to this week's agreement to take over management control of Gestetner Holdings, the office equipment group which has failed in recent years to realise the full potential of a century-old brand name.

In return for £142m in new capital over five years, the Australian company will be able to increase its holding to 55 per cent.

"The Gestetner brand is extremely attractive to us," says Mr Basil Sellers, AFP managing director and chairman-designate of Gestetner.

Despite a name that is almost a generic synonym for the office duplicator and a worldwide distribution network, Gestetner has staggered from one problem to another and has been slow to react to changing market conditions.

It was slow to rationalise its production of stencils and duplicators, slow to get out of mid-volume photocopiers, slow to abandon its practiceof making all components in-house, slow even to enfranchise its ordinary shares.

After a 40 per cent rise in pre-tax profits in 1984-85, most analysts now expect a fall in the year which ended a few weeks ago. Shareholders will get a forecast—but not results—before they vote on the AFP deal.

Roger Taylor

Mr Basil Sellers (centre), chairman-designate of Gestetner, together with Mr David Gestetner (left) who will remain group managing director and Mr Gregory Melgaard, who is to become deputy chairman.

Mr Sellers, however, insists: "We musn't undestimate the management skills the company has."

Mr David Gestetner will remain as group managing director, and he and his brother, Jonathan, will remain on the board after stepping down as joint chairmen.

The board will comprise equal numbers of Gestetner and AFP representatives, but Mr Sellers will have the casting vote.

Mr David Gestetner is sanguine about the passing of family control. "Our future options have been limited by the availability of funds." In addition to new capital, "the new management control will give a new vision, less hidebound by the past."

Ms Jane Anscombe of Barclays de Zeote Wedd concurs: "They are a step away from the nitty gritty of the business, which perhaps would allow them to take a more dispassionate view."

Mr Gestetner and Mr Sellers are less forthcoming, however, about plans for new products. The former will only say: "We have specific proposals in-house that we have been working on."

If Speedo is any model, the trend could well be towards putting the Gestetner name on products designed — or even manufactured — by other companies. AFP has sold Speedo's European manufacturing operations to John Crowther and a similar sale is believed to be in the offing in North America. It will receive licence income of about 4 per cent of sales.

Photocopiers made under licence from Mita of Japan are already Gestetner's single biggest product.

The brand identity has other benefits. "People like an old-fashioned name when it comes to service," Mr Gestetner says.

Mr Sellers and his colleagues openly admire the international success of Elders IXL, the Australian drinks to agriculture group, in developing brands such as Fosters lager.

Mr Peter Scanlon, who will be one of AFP's directors on the Gestetner board, was a key figure in the growth of the Elders group. AFP controls an option over 20 per cent of Elders' capital.

With a market value of about A$650m (£294m), AFP's other major investment is a 40 per cent stake in Linter Group, Australia's largest textile company and owner of radio and television stations and broadcast production facilities.

Linter was the creation of Mr Sellers' National Textiles and Mr Abraham Goldberg's Entrad, erstwhile bidder for Tootal, and was responsible for the rationalisation of the Australian textile industry. Mr Sellers previously was a stockbroker and property developer.

Gestetner's share price (down 9p to 180p yesterday) has kept above the 175p at which Hoare Govett, AFP's adviser, has offered to buy any shares. Australian brokers in London believe that this reflects not so much the hope of a better offer as a vote of confidence from Mr Sellers' compatriots.

AFP itself will pay 140p per share for its initial 15 per cent stake, and 170p for the additional 40 per cent.

Default cost Jessups £0.7m

Jessups, Romford-based motor dealer, has made an exceptional provision of £700,000 as the result of a substantial default which it said appeared "to involve external fraudulent conversion of leased vehicles and other criminal acts."

The provision, which Jessups said represented the maximum possible loss, cut pre-tax profits to £1,027,000 (£1,373,000) in the year to August 31.

The default also resulted in an additional £343,000 tax charge because of the reduced size of the leasing fleet. The transactions in question involved more than 100 of the company's 3,500 leased vehicles, Mr Alan Jessup, chairman, said yesterday.

The company said that a thorough review of its leasing operations confirmed that the default was the result of "an isolated, though regrettable, occurrence." The transactions were under investigation by police and VAT authorities, Mr. Jessup said.

The company, a Vauxhall/Opel and Ford main dealer, lifted turnover to £71m (£55m).

Directors recommended a 3p (2.75p) final dividend to make a total of 4.5p (4p). The increase reflected the belief that the debt was exceptional and that progress was continuing.

The additional tax charge, making a total of £784,000, reduced after-tax profits to £243,000 (£1,112,000). Jessups shares closed down 4p at 104p.

New look WSL returns £3.29m

By Clare Pearson

WSL Holdings, the specialist travel operator which has been expanding by acquisitions, yesterday announced a pre-tax profit of £3.29m for the 17 months to the end of August. The figure includes a contribution of £818,000 from companies before they became part of WSL, so £2.48m is attributable to the group.

During the period, the company was transformed from a shell laundry business into a travel operator specialising in children's holidays. It is now UK market leader in school tours following its 75 per cent acquisition of H & C Travelways in 1985 and 100 per cent acquisition of Schools Abroad

It has recently acquired an air-seat broking arm with its takeover of Pilgrim Air, which specialises in Italian routes.

Mr Peter James, chairman, said that WSL would be continuing to look at other takeover targets but it had "no intention whatsoever" of moving into mainstream travel business.

Yesterday WSL's shares closed at 150p, down 3½p on the day. This valued the company at £28m. The directors are recommending a 1p net final dividend.

Electra net assets up 6%

Electra Investment Trust, which lays particular emphasis on investments in the unlisted sector, saw its fully adjusted net asset value per share rise by 5.98 per cent in the six months to September 30, reaching 200.65p, against 189.32p at the start of the period. The FT Actuaries All-Share index declined by 5.15 per cent over the same time.

It reported attributable profits of £3.39m, up 10.4 per cent over the same period of last year. Net assets were up from £293m in March to £312m.

Earnings per share, at 2.27p, are 9.9 per cent ahead and an interim dividend of 2p per ordinary share has been declared, representing an 11.1 per cent increase on last year's 1.8p.

Mr Michael Stoddart, the chairman, said that Electra's emphasis on the unlisted sector meant that capital growth tended to be uneven and measurement of success had to be made over a number of years, rather than over individual reporting periods. He looked forward to continuing growth in values.

During the six months, Electra invested about £31m in unlisted securities, more than half of which related to management buy-outs, primarily in the UK.

The group is currently backing the proposed management buy-out at printing group McCorquodale in the face of a hostile bid. This is through the trust's involvement in the Electra Candover Direct Investment Plan, an institutional fund for larger buy-outs.

Hawker Siddeley US acquisition

Hawker Siddeley, the international industrial and mechanical engineering group, has continued its active strategic acquisition policy with the purchase of another US instrumentation company, A and M Instrument, for $7.7m (£5.5m) in cash.

This purchase follows the acquisition in July of Daytronic Corporation, another US based measurement and control instrument company, and brings Hawker's total investment in seven US acquisitions to £105m in little over a year.

FKB to acquire promotions company

FKB Group has conditionally agreed to acquire Canterbury-based FDS Promotions, the leading promotions company in duty free marketing in the UK and Europe.

Initial consideration of £520,000, payable on completion, will be satisfied by the issue of 224,622 FKB ordinary shares. Total consideration is a £1.75m maximum dependent on FDS's profits over the years to 1991. The vendors have warranted pre-tax profits of not less than £100,000 for the 55 weeks to March 1987.

Goodwin shares

Goodwin, the engineering company, yesterday said that no approach had been made to it with a view to an acquisition. Shares in the company had risen to 68p, but following the directors' statement they closed down 10p at 58p.

New court suspended

Shares in New Court Natural Resources, the small independent oil company which is currently being reshaped by Mr Mark Vaughan-Lee, a former MIM executive, were suspended ysterday at 13½p at the company's request pending a statement about an acquisition.

UK COMPANY NEWS

Whitbread rises to £80m despite downturn in US

Whitbread and Company, one of Britain's largest brewers, made good progress in the first six months of the 1986-87 year and for the period increased its profits to £79.8m at the pre-tax level.

That compared with a restated £68m for the same months of the previous year and with City expectations of £75m. Last time's published figure of £65.5m was adjusted after certain changes had been made in the accounting policies following revision of SSAP 6.

The directors, headed by chairman Mr Sam Whitbread, pointed out that the management team in North America was performing well despite uncertainties in the market and added that the establishment of European Cellars and the recent strengthening of the soft drinks interests would benefit Whitbread in the future.

In the US, spirit sales were 8 to 10 per cent down during the half year reflecting the imposition of a Federal excise tax of some 19 per cent in October 1985 and also the general pressures on alcohol consumption in the US.

Overall, it was expected that group progress would be maintained for the full year and that in the second six months, results from the retailing operations (Threshers, Beefeater and Pizza Hut) would be strong.

Group turnover for the first six months (to August 30 1986) improved from £723.3m to £746.7m and at the trading level, profits showed an increase of £4.9m at £85.4m — apart from its own Whitbread brands the group's regional ales include Flowers, Fremlins, Wethereds and Chesters.

Beer-brewing and wholesaling increased its profits contribution from £44.3m to £50.4m while retailing — managed outlets, restaurants and leisure activities — turned in £3.8m more at £33.5m.

Wines, spirits and soft drinks production blending and wholesaling chipped in £11.5m, down from last time's £14.5m.

Retail property disposals added £3.2m (£2.5m) and income from corporate related companies, property development and investments increased to £4.8m (£3.8m).

Central services acounted for £6.9m (£6.4m) and interest charges for £16.7m (£20.4m).

Tax rose by £6.8m to £25.8m and left net profits £5m ahead at £54m.

Earnings improved to 13.57p (12.46p) basic and to 13.36p (12.26p) fully diluted. The interim dividend is being stepped up to 2.5p net, an increase of 11.1 per cent over last time's 2.25p.

Published pre-tax profits for the 1985-86 year improved from £110.1m to £129.6m. The final dividend was 5.55p.

See Lex

Maxwell thwarted in US expansion bid

PUBLISHER Mr Robert Maxwell, chairman of British Printing and Communications, said in New York that he had made an offer for the magazine business of CBS Inc, but was told the unit was not for sale.

He declined to say how much he offered.

A spokesman at CBS stated that the magazines had never been offered for sale, and declined to discuss Mr Maxwell's offer o rsay whether it had received other approaches.

There were widespread reports in the industry after Mr Laurence Tisch became acting chief executive of CBS two months ago that the magazines would go up for sale.

The magazine unit consists of about 12 publications including Woman's Day. Mr Maxwell said his interest was part of a strategy of expanding printing and activities in the US.

Since Mr Tisch was appointed, the company had announced agreements to sell its educational and professional publishing units and a music publishing business.

BOARD MEETINGS

TODAY

Interims:—BET, Beecham, Boots, Brown Shipley, Cable and Wireless, Checkpoint Europe, Cheshire Wholefoods, Chloride, DDT, Extel, Fulcrum Investment Trust, Hazlewood Foods, Premier Group, Scantronic, TR North America Investment Trust, Walker and Staff, Witan Investment.

Finals:—Burton, Rodime.

FUTURE DATES

Interims:—

Chapman Industries	Dec 9
Chelsea Man	Dec 1
Country and New Town Props.	Dec 2
Fletcher Dennys Systems	Nov 25
Greene King	Dec 12
Lewmar	†Nov 28
Marshall Halifax	Nov 24
Michael (John) Design	Dec 2
TR Technology Investment Tst	Nov 24

Finals:—

BOC	Dec 2
Cambrian and General Secs.	Nov 21
Royal Bank of Scotland	Dec 4

†Amended

COMPANY NEWS IN BRIEF

BLACKWOOD HODGE (Canada) increased its pre-tax profits from C$2.16m to C$3.73m (£1.88m) in the nine months to September 30 1986. Turnover rose from $83.84m to $104.15m. There was again no tax charge. Stated earnings per share moved ahead from 88 cents to [illegible]

J. SAVILLE Gordon has sold its freehold property, the Vaughan Industrial Estate, Tipton, West Midlands, to Duport Properties, a wholly-owned subsidiary of William Holdings and currently the main tenant of the premises, for £5.8m paid in cash on completion.

WARNFORD INVESTMENTS (property) — Gross rents and service charges half year ended June 24 1986 came to £2.92m (£3m). Attributable revenue £1.27m (£1.4m) after tax £735,000 (£925,000) and minorities £2,500 (£2,000). Earnings 13.22p (14.58p) and interim dividend 7.5p (7p) net. Anticipated that net revenue for year will be slightly less than £2.82m of 1985.

JERSEY GENERAL Investment Trust had net asset value of 456p (358p) as at October 31 1986. Net income was £555,833 (£550,406) and earnings per £1 share 5.89p (5.83p). The interim dividend is 5.75p (same) and final not less than last year's 8.75p is forecast.

NARBOROUGH PLANTATIONS (rubber and oil palm producer): Final dividend 1p subject to Malaysian tax, making a gross total of 1.5p for the year ended June 30 1986. Turnover £271,000 (£383,000). Pre-tax profits £119,000 (£242,000). Tax £53,000 (£108,000). Earnings per share 0.48p (0.99p). Results for the current year are expected to show an improvement.

YEARLING BONDS totalling £3.4m at 11⅛ per cent, redeemable on November 25, 1987, have been issued by the following local authorities. Cardiff (City of) £2m; Basingstoke & Deane Borough Council £0.5m; Wansbeck District Council £0.4m; Allerdale DC £0.5m.

HILLSDOWN HOLDINGS has acquired 51 per cent of Wirral Foods, canned meat products company. Consideration of £928,200 to be satisfied by issue of 221,000 ordinary and balance in cash. Vendors have warranted that net profits for 11 months to end-December will be £206,842. At January 31 last Wirral had net of £510,345. Remaining 49 per cent will be acquired in equal tranches over five years based on post-tax profits.

GREAT SOUTHERN Group, undertaker, made pre-tax profits of £985,000 on £6.69m turnover for the first half of 1986. Earnings per share were 7.7p. The board reaffirmed £1.6m profits forecast for 1986, made at time of flotation in September.

COURTNEY POPE Holdings has reached agreement for the acquisition of Better Electro-Plating together with the company's associate, Barrel Platers (London). Total consideration also been reached for the acquisition of Britecrest Plastics for £50,000 via share issue.

MIDSUMMER INNS, the brewing and leisure group originally known as the Campaign for Real Ale (CAMRA), plans to change its name again to Midsummer Leisure to reflect the broadening scope of its business. The company now has rollerskating, snooker clubs, medieval banqueting and restaurants and venue bars in addition to its traditional free houses and discotheques.

NEW CAVENDISH ESTATES has acquired 39,153 ordinary shares in Bradley Court, a registered nursing home company, from its associated company Stirling Properties for a total cost of £97,883. It has also agreed to pay £346,735 cash for 138,694 new ordinary shares in Bradley Court to raise its equity stake to 50 per cent.

RAMCO OIL Services: North Sea Assets has bought 1.59m ordinary shares raising stake to 29.09 per cent. It regards this as a desirable level and does not seek a controlling interest. Ivory and Sime clients now hold 29.9 per cent of Ramco.

DIVIDENDS ANNOUNCED

Avana Group ......int.	5.25	April 7	5	—	12
Bardon Hill ....int.	1.05§	Jan 2	0.9	—	3.25
Black Arrow ....int.	2	—	1.75	—	5
Electra Investment int.	2	Jan 28	1.8	—	4.1
John Foster ....int.	1	—	1	—	3.5
Gartmore American int.	0.66	Jan 16	0.6	—	1.3
Gibbon Lyons‡ ......int.	1.32	Feb 9	1.2	—	3.52
Intl. Signal**† ......int.	1.4	Jan 12	1.2	—	3
Jersey General ......int.	5.75	—	5.75	—	14.5
Jessups	3	Jan 9	2.75	4.5	4
Narborough Plant	1¶	—	1	1.5	1.8‖
Ranks Hovis	4.49	—	3.45	6.61	5.29
Scott Greenham ...int.	1.2	Jan 2	1	—	3.3
Sketchley ....int.	6††	—	4.7	—	17.5
Warnford Inv. ......int.	7.5	April 7	7	—	17
Wemyss Invest. Tst. ...	8	—	14	16	22
Whitbread ....int.	2.5	Jan 9	2.25	—	7.8
WSL Holdings‡‡	1	Jan 2	nil	1	nil

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock § Unquoted stock. ¶ Subject to 40 per cent Malaysian tax. ‖ Including 0.3p bonus. ** US cents throughout. †† To reduce disparity. ‡‡ For 17-month period.

Public Works Loan Board rates

Effective November 18

Years	Quota loans repaid by EIP† %	A‡ %	at maturity§ %	Non-quota loans A* repaid by EIP† %	A‡ %	at maturity§ %
1	—	—	11⅝	—	—	12⅛
Over 1 up to 2	11¾	11¾	11⅝	12⅛	12⅛	12⅛
Over 2 up to 3	11⅞	11¾	11⅝	12⅛	12⅛	12⅛
Over 3 up to 4	11⅞	11⅞	11½	12⅛	12⅛	12⅛
Over 4 up to 5	11⅝	11⅝	11½	12⅛	12⅛	12⅛
Over 5 up to 6	11½	11½	11½	12	12	12
Over 6 up to 7	11½	11½	11⅝	12	12	12⅛
Over 7 up to 8	11⅜	11½	11⅜	12	12	12⅛
Over 8 up to 9	11⅜	11½	11⅜	12	12	12
Over 9 up to 10	11⅜	11⅜	11⅜	12	12	12
Over 10 up to 15	11⅜	11⅜	11⅜	12⅛	12	11⅞
Over 15 up to 25	11¼	11⅛	11	11¾	11⅝	11¾
Over 25	11	10⅞	10⅞	11½	11⅜	11⅜

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

ISSUE NEWS — By RICHARD TOMKINS and NIKKI TAIT

M & G £74m offer for sale only just subscribed

Kleinwort Benson's £74m offer for sale of shares in M&G, Britain's biggest unit trust group, has been fully subscribed —but only just.

The 28m shares on sale— which represents 37.4 per cent of M&G's equity and was the bulk of a long-standing stake held by the merchant bankers— attracted 17,000 valid applications. According to Kleinwort Benson, the level of oversubscription was marginal and most applications will be met in full. These will include the application from SwissRe Holdings for 1.9m shares—a 2.5 per cent stake—already declared in the prospectus.

Yesterday, Mr Paddy Linaker, M&G's deputy managing director, said he was pleased with the outcome. "It was a bad background, with the markets performing poorly, to be doing a large issue," he added.

"The spotlight was taken by a lot of City brouhaha — and someone called Branson, who seemed to appeal more."

But a number of institutional fund managers said they remained on the sidelines because of the nature of M&G's business and its exposure on the profits front to equity market levels, and because of the fairly stiff multiple—20 times historic earnings—on which the shares were being sold.

"If you're an investment management house," said one pension fund manager, "you're bound to choose the best time to sell your shares." "It looked attractive at that price," argued another senior investment manager.

No breakdown of the applications is available yet, but institutions are thought to account for less than 10 per cent of the total number received. In terms of the number of shares for sale, somewhere between a half and two-thirds could be allocated to private investors. However, Kleinwort Benson added that there would be no particularly large block shareholdings as a result of the allocations.

The M&G share price which has edged steadily down from 295p when the offer was first announced, closed at 273p last night—3p higher on the day and at a similar premium over the price at which the shares are being offered.

Miss Sam back on cue after legal hitch

Miss Sam, the High Street fashion company which unexpectedly disappeared from the new issues queue on Monday, is to go ahead with its stock market flotation after all.

The legal hitch that interfered with the issue is now said to have been settled and the prospectus for a placing of 4m shares—35 per cent of the equity—at 105p a share is expected to be published today.

Miss Sam said that the hold-up occurred because Mr Conrad Morris, a former shareholder and the uncle of Mr Stephen Morris, the 35-year-old chairman of the company, gave notice on Friday night of a claim against the chairman.

However, the claim had now been irrevocably withdrawn and Capel-Cure Myers, the stockbroker to the company, had agreed to proceed with the placing.

Capel-Cure Myers has been highly active in the new issues market recently. Miss Sam is believed to be its 12th flotation this year.

TSB CI allocations

The offer for sale of TSB Channel Islands included 10,967 applications for £2.2m shares received by customers and were allocated: between 200 and 600—in full; for 800—650; between 1,000 and 2,500—700; between 3,000 and 4,000—750; 5,000—900; between 6,000 and 7,000—1,000.

Applications totalling 19,899 for £2.2m shares from the public were allocated: between 500 and 2,000—300; between 2,500 and 9,000—400; between 10,000 and 45,000—500; between 50,000 and 100,000—750.

Fletcher King sees over £1m

Fletcher King, the London-based commercial estate agent, today publishes the prospectus for an offer for sale which will bring it to the stock market at a capitalisation of £11.9m.

The business was started as a partnership in 1969 and originally specialised in retail property, but the range of services has gradually been expanded to cover industrial and office properties, property management and investment.

The prospectus shows pre-tax profits rising from £33,000 in 1982 to £717,000 in the year to last April, on turnover up from £922,000 to £2.4m.

Among its current instructions, Fletcher King has rent reviews and lease renewals for property with rental agreements worth over £6m a year, and has agency instructions to lease, acquire or sell freehold and leasehold interests in retail, office and industrial property totalling over 9.2m sq ft.

It has also been appointed joint letting and selling agent for the Canary Wharf development in London's Docklands, which is projected to provide 8.8m sq ft of office space on completion.

The company is coming to the market on a profits forecast of at least £1.15m for the current year, putting the shares on a prospective price/earnings multiple of 15.3.

Of the £4m to be raised in the offer, nearly £2.9m will go to existing shareholders, leaving about £822,500 net for the company.

Fletcher King said it had received several offers from would-be purchasers of the business but had decided on a flotation so that the group could expand while remaining independent.

Sponsor to the issue is Lazard Brothers and the broker is Cazenove. Application list closes next Tuesday and dealings will begin a week later.

● comment

Fletcher King's timing is perfect, if fortuitous. It could little have known at the time it planned its flotation that Baker Harris Saunders, the company with which it is inevitably being compared, would be paving the way with such a successful debut. Baker Harris's share price, struck at 170p, is now at 198p and its prospective p/e multiple of 18.5 makes Fletcher King's 15.3 look almost humble. There are differences between the two companies: Baker Harris's City presence is unusually strong and it is forecasting a doubling of profits this year against Fletcher King's 60 per cent increase. Yet both are perceived as high quality commercial estate agents and Fletcher King's broader base can itself be perceived as a virtue, so there is every reason to suppose that Fletcher's rating will move at least part of the way towards Baker Harris's.

SUMIT shares for stock market at 145p

SUMIT, the venture capital organisation founded six years ago by Albert E. Sharp, the Birmingham stockbroker, is to come to the stock market through a placing of 1.45m shares at 145p a share.

Apart from raising £1.74m net which will be used to expand the company's investment portfolio, the flotation will also give SUMIT the status of an authorised investment trust, so giving it relief from capital gains tax when realising and reinvesting funds.

SUMIT's aim is to obtain capital appreciation through investing in the equity of unquoted companies which it perceives as having above-average growth prospects.

The present portfolio consists of 24 investments with a value on September 30 of about £13.8m. Two of the companies concerned—Monks and Crane and Hodgson Holdings—have achieved quotations on the USM, and a third—Hornby Hobbies—is due to be floated on the USM next month.

SUMIT'S net assets per share have grown from 105p at the end of 1981 to 217p in September. It acknowledges that this performance does not compare well with the rise in the FT-Actuaries All-Share index over the same period, but says it expects the rate of growth to accelerate as more of its investments mature.

The share placing, which is being arranged by Albert E. Sharp, will put SUMIT on a discount to net asset value of 24.8 per cent at the issue price and produces a market capitalisation of £8.98m.

At present, SUMIT has 14 institutional shareholders. The flotation will introduce six more, together with 350 private clients of Albert E. Sharp. The wide spread of the existing shareholdings has enabled the company to float off only 21.8 per cent of its equity compared with the usual main market minimum of 25 per cent.

Ward coming to the SE

Ward, one of Britain's leading manufacturers of steel components for the construction industry, is coming to the stock market through a placing of its shares by Hambros Bank.

Founded in 1948 as a partnership between Mr Frank Ward and Mr Wilfred Ward, the company has grown to the point where it supplies components to a third of all single-storey steel-framed buildings in the UK.

The main business is in supplying purlins, cladding, roofing and structural components to the construction industry, but there is also a less profitable division which manufactures and erects steel-framed buildings.

Pre-tax profits in 1985 were £2.53m.

Ward says that steel has recently been increasing its share of Britain's building market at the expense of concrete, and this combined with its own investment in new higher margin products have set it on a firm upward profits trend.

For the current year it is forecasting pre-tax profits of £3.1m. With 5.43m shares being placed at 97p a share, this produces a prospective price/earnings multiple of 9.86. Ward's market capitalisation at the placing price is £21.27m.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1985							
2nd qtr.	108.9	104.5	109	114.9	141.4	3,174	161.7
3rd qtr.	108.4	103.7	103	118.1	145.2	3,124	164.4
4th qtr.	108.4	103.5	105	116.7	177.7	3,122	168.2
1986							
1st qtr.	109.3	102.8	98	118.2	148.4	3,171	166.5
2nd qtr.	108.9	103.5	106	120.0	152.7	3,208	175.6
3rd qtr.	110.6	104.8		122.1	157.4	3,212	200.2
March	109.5	102.8	106	118.7	148.6	3,199	169.5
April	110.6	104.1	102	118.3	152.1	3,206	170.2
May	108.5	103.1	107	118.5	149.8	3,205	172.1
June	107.5	103.4	106	121.7	155.4	3,220	184.4
July	109.9	104.5	107	120.9	158.2	3,223	193.2
August	110.5	104.3		122.0	155.2	3,219	201.1
September	111.3	105.6		123.2	158.7	3,192	206.4
October				123.1		3,168	212.8

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
2nd qtr.	103.4	105.0	113.5	105.6	115.9	102.1	18.2
3rd qtr.	104.3	102.3	113.3	103.5	114.4	103.2	17.3
4th qtr.	103.7	102.6	113.5	103.1	111.6	102.8	15.6
1986							
1st qtr.	103.0	102.2	115.5	101.9	111.2	103.0	14.2
2nd qtr.	104.3	100.4	114.9	101.9	111.0	102.4	20.9
3rd qtr.	105.2	101.9	117.1	103.3	108.6	102.8	19.0
March	103.3	102.5	115.6	102.0	111.0	103.9	16.3
April	105.0	101.0	118.0	103.9	108.0	105.0	18.7
May	103.8	100.4	114.2	102.0	111.0	100.0	19.2
June	104.1	99.9	112.5	101.0	113.0	102.0	22.1
July	104.7	101.8	116.0	103.0	110.0	101.9	21.6
August	104.8	101.6	117.5	103.0	107.0	105.0	16.0
September	106.4	102.4	117.7	105.0	109.0	105.0	19.3

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1985							
2nd qtr.	120.5	124.8	−124	+1,587	+2,411	97.8	14.32
3rd qtr.	116.3	124.1	−453	+1,472	+1,900	100.2	14.18
4th qtr.	118.9	127.9	−292	+612	+1,893	101.6	15.54
1986							
1st qtr.	117.4	126.1	−1,459	+597	+1,922	101.1	18.75
2nd qtr.	120.8	128.1	−1,613	+345	+732	102.4	19.30
3rd qtr.	123.6	138.6	−2,951	−1,151	+768	103.2	22.43
March	113.0	132.3	−1,295	−666	+230	100.7	18.75
April	121.5	123.4	−293	+360	+252	101.7	18.90
May	120.2	131.2	−698	−46	+201	102.0	19.17
June	120.7	129.6	−623	+30	+279	102.6	19.29
July	126.6	134.0	−588	+12	+281	103.2	19.08
August	117.3	142.3	−1,486	−886	+211	103.9	18.93
September	126.8	139.5	−877	−277	+276	102.5	22.43
October							21.90

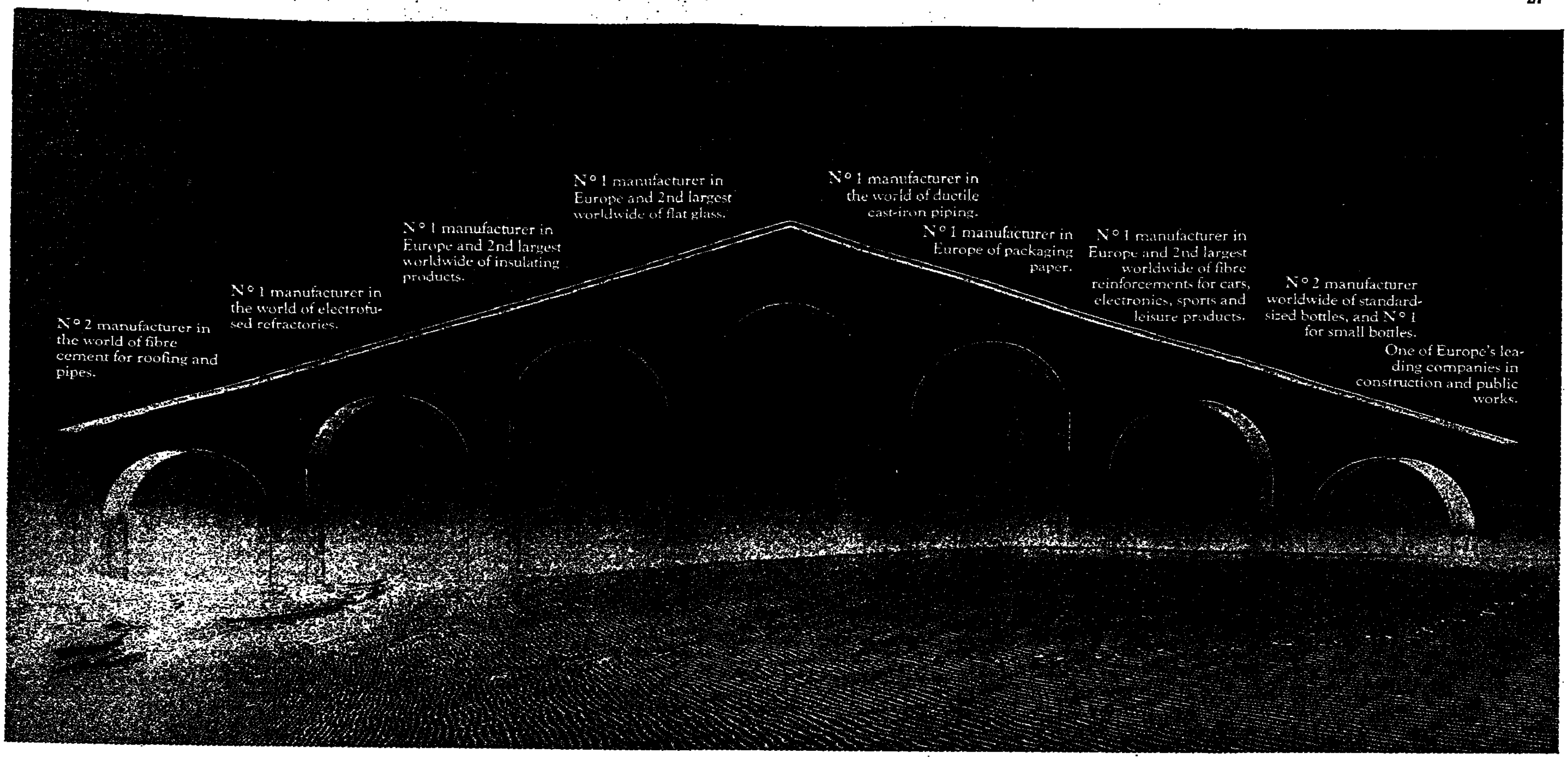
FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank advncs. %	BS inflow £m	HP lending† £m	Base rate %
1985							
3rd qtr.	5.5	15.4	11.6	17.5	1,771	3,374	11.50
4th qtr.	1.4	25.1	17.8	17.7	2,289	3,431	11.50
1986							
1st qtr.	6.5	9.0	19.7	12.2	2,229	7,385	11.50
2nd qtr.	2.5	22.0	22.6	26.7	1,433	7,658	10.00
3rd qtr.	5.2	22.9	13.9	16.9	168	8,311	10.00
March	5.1	3.2	14.3	16.4	657	2,300	11.50
April	6.2	21.5	26.6	26.5	756	2,743	11.50
May	2.5	42.8	30.4	27.9	500	2,372	10.00
June	3.6	35.1	33.5	25.0	177	2,543	10.00
July	3.7	20.1	18.5	15.9	387	2,719	10.00
August	5.4	18.5	11.9	17.8	452	2,678	10.00
September	6.4	21.2	12.5	16.5	−671	2,914	10.00
October					1,951		11.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1985							
3rd qtr.	174.4	133.1	140.2	376.3	335.5	1,706	82.3
4th qtr.	176.9	132.6	141.4	378.1	337.4	1,771	78.5
1986							
1st qtr.	179.1	132.6	143.4	380.3	342.3	1,613	75.1
2nd qtr.	184.0	126.1	145.7	385.7	349.5	1,453	76.1
3rd qtr.	187.4	121.2	146.3	386.1	348.1	1,433	71.9
March	182.4	129.4	144.3	381.6	345.2	1,612	74.6
April	184.0	127.1	145.4	385.3	347.4	1,766	76.2
May	182.3	126.7	145.9	386.8	349.2	1,703	76.1
June	185.7	124.6	145.8	385.8	351.4	1,453	75.9
July	187.9	120.0	145.9	384.7	347.4	1,460	74.0
August	187.2	120.8	146.3	385.9	348.6	1,461	71.4
September	187.0	122.9	146.7	387.8	348.3	1,544	70.4
October		124.2	146.9	388.4	347.6	1,600	67.5

* Not seasonally adjusted.
† From January 1986 includes amounts outstanding on credit cards.



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Avana profits outlook slices 32p off shares

Avana Group, the food processor which disappointed analysts with its result for the 1985-86 year, yesterday revealed that its profits for the first half of the current year had risen by only 6.5 per cent to £8.81m

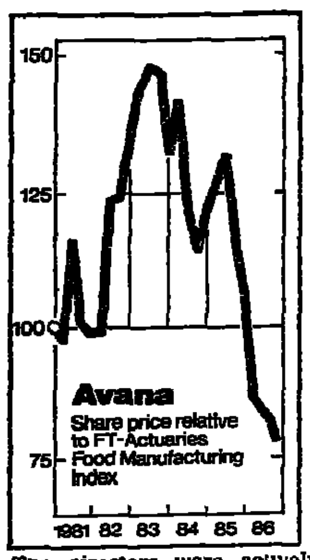
The City, disappointed again, had been looking for figures of between £9.5m to £10m and by the close of business the group's shares had fallen by 32p to 504p, wiping some £11m off its stock market value.

The directors said the £541,000 profits improvement had been hard earned. They pointed out that sales in the UK had risen by only 1 per cent while those of the overseas operations were down by 1 per cent despite the lower value of sterling.

Overall, group sales for the half year to September 27 1986 totalled £97.8m (£97.11m). UK sales amounted to £85.22m (£84.38m) and profits to £8.14m (£7.47m).

Earnings worked through 1.32p ahead at 16.69p and in the light of this increase the interim dividend is being stepped up from 5p to 5.25p net

The directors said that although the new factories at R. F. Brookes, Viota and O.P. Chocolate were showing the benefits of capital investment, the additional sales volumes required were not yet manifest.



The directors were actively considering two major capital expenditures which take the group into new areas of food manufacture and which, they said, could provide the vital stimulus to renewed growth. Neither of these projects could be implemented in time to enhance the year's results but "could certainly have a marked impact on the results of next year and beyond."

● comment

Avana is suffering from static sales in mature markets, a £430,000 swing into the red at the Dutch associate, a lack of own brands and a lower than expected return on capital investment. Leaving aside a repeat of last year's exceptional gain from Dr John Randall's foray on the financial markets, profits this year of around £19½m look likely. In the earlier years of this decade, Avana's profits were growing by 30 per cent compound and the shares still carry a premium rating as a legacy of this. Now, with virtually no profits growth over a three-year period in view, the market is keen to hear just what the prescription for escaping the sub £20m rut is. Avana has turned its back on acquisitions as the route forward—which will not surprise those who remember the unhappy Bassett saga. It will, however, take time and a lot more details to convince that a capital spend of £12m (in £2m and £10m lumps—one of them savoury rather than sweet) to take the group into new food areas will bring returns as quick or as substantial as Avana is clearly hoping. Despite a fall of 32p to 504p, the shares seem destined to continue to drift downwards towards the sector's 11 from Avana's prospective of 14.

International Signal profits jump 47%

International Signal & Control Group, the US-based systems and technical services concern, lifted pre-tax profits by 47 per cent from $14.27m to $21m (£14.8m) in the six months ended September 28 1986. Turnover rose 22 per cent to $236.1m.

Operating profits were up 27 per cent to $26.75m, after absorbing $0.5m losses from the group's new subsidiaries, Electro Magnetic Processes and ISC Cardion Electronics, which were in line with expectations. Net interest costs were cut $1m to $5.75m following July's rights issue.

The issue raised $107m, net of expenses, and increased total shareholders' funds to over $300m. Proceeds were used to repay certain bank borrowings and to provide additional working capital.

Extraordinary charges of $4.12m relating to the net costs of the rights have been transferred to the share premium account.

The group's order book at September 28, 1986 exceeded $800m and has continued to grow since that time.

As growth continued in all three of the ISC operating groups, the directors viewed the outcome of the current year with considerable confidence.

● comment

The cautious investor might be inclined to take a deep breath before buying into ISC with its reticence to reveal its clients, its dollar-denominated accounts, its premium to the electronics sector and its dependence on the defence and space industries. The company's record, however, is exceptional with pre-tax profits up ninefold between 1982, when it came to the market, and last year. Orders are strong, margins are higher because of the greater proportion of international business and the interest charge is falling after the rights issue. The long term future is more difficult to predict. Although the fat profits come from the international division, ISC depends on US defence spending to develop the products which it sells elsewhere. It is confident that the swing to the Democrats will be at worst neutral to its prospects but the outsider might be tempted to reason that when the US does bite the budget bullet, areas like space and defence will be the hardest hit. On $62m, the shares at 252p are on a prospective p/e of 14, which will not attract widows and orphans.

Profits at Gibbon Lyons rise by 22%

Gibbon Lyons, a USM listed printing ink manufacturer and supplier, lifted its pre-tax profits by almost 22 per cent from £218,000 last time to £265,000 in the six months to September 30, 1986. Turnover increased 23 per cent to £1.95m (£1.58m).

The chairman said that with the expansion of the company's Colorcentre network he was confident that progress wuld be maintained in the second half.

John Foster falls into red

John Foster & Son, worsted and mohair spinning concern based in Bradford, West Yorkshire, fell into the red for the half year ended August 29 1986.

From turnover, lower at £8.51m, against £10.34m, the loss before tax amounted to £467,000, compared with profits of £51,000 last time.

Despite the difficulties experienced during the first six months, the directors said they believed the seasonal nature of the business, together with an improving order book and management action already taken, should ensure satisfactory results for the second half.

In line with this the directors are maintaining the interim dividend at 1p per share—last year's final payment was 2.5p from pre-tax profits of £1.13m (£1.1m).

Particularly difficult trading conditions resulted in reduced sales, the directors pointed out, especially to the Middle East and Hong Kong markets. New customers and markets were being actively developed, mainly in the UK and Europe, and the order intake during the past few months had been running at a much improved level, compared with a year ago.

After tax of £35,000 (£37,000) losses were shown as 5.8p per share (0.2p earnings).

Scott Greenham up by 41%

Scott Greenham Group, the industrial services group, has turned in pre-tax profits 41 per cent higher at £2.4m for the half year to October 2 1986. Turnover was up from £7.2m to £9.4m.

Mr Tim Scott, joint chairman, said that the company's lifting activities were performing ahead of budget. And he reported that good organic growth in the company's access market interests had been supplemented by acquisitions.

Mr Scott reported that the company intends to continue expansion by acquisition and said that prospects for the second half appeared to be very healthy.

Tax charges increased to £849,000 (£606,000) and earnings per 10p ordinary share worked through almost 40 per cent higher at 7.88p (5.63p).

The company declared an interim dividend of 1.2p, up from 1p last time.

Black Arrow rises to £1m

Black Arrow Group, office furniture and equipment concern, pushed up taxable profits from £736,000 to £1.02m for the half year ended September 30 1986 and the interim dividend from 1.75p to 2p per share.

The directors said the company was firmly committed to the expansion of the office furniture division

Mid-term turnover advanced to £8.26m, against £5.97m, while after tax of £333,000 (£276,000) earnings were shown as 9.03p (6.97p) per share.

The directors pointed out that recent acquisitions had responded well to group treatment; Associated Furniture Holdings (now 78.48 per cent owned) contributed a worthwhile profit and although Planwise (75.1 per cent last February) and EDS sustained losses, these were at a much reduced level.

COMPANY NEWS IN BRIEF

GARTMORE AMERICAN Securities, investment trust, had net asset value of 167p per 25p share at September 30, 1986 (178p at March 31, 1986). Net revenue for six months was £192,433 (£207,238) and earnings per share 1.07p (1.15p). The interim dividend is 0.66p (0.6p).

LONDON TRUST net asset value fell from 91.4p to 86.4p as at September 30 1986. Revenue amounted to £219,000 (£361,000 loss) for six month period before tax of £178,000 (£259,000). Earnings per share 0.17p (0.61p losses).

WEMYSS Investment Trust increased its net asset value from 608p to 636p in the year to September 30, 1986, but the final dividend is reduced from 14p to 8p net for a lower total of 16p (22p). Pre-tax profits were static at £816,000 (£819,000). Stated earnings per £1 share were 24.2p (23.1p) before extraordinary debits of £87,000, and 20.4p (23.1p).

PAUL MICHAEL Leisurewear pre-tax profits were £6,000 (£85,000) in six months to June 30, 1986, on £2.13m (£3.15m) turnover. Earnings per 5p share 0.06p (0.7p). Cleves Investments has 55 per cent stake in this USM company.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
Gilts & Fixed Int.	105.0	111.1	−0.4	10.80
High Inc Equity	93.3	99.2xd	−1.1	5.24
Worldwide Bond	197.5	211.3xd	+1.5	4.59
Capital Growth				
American Growth	152.9	162.6	−3.4	0.87
Asian Pacific	57.4	61.3	+0.3	1.84
Assets & Ergs. Tst.	105.4	112.3xd	−1.5	2.55
Capital Reserve	65.2	65.8		3.54
Commodity & Energy	94.7	100.7	+1.6	1.13
European Capital	100.1	106.4	+0.5	1.19
General	132.4	140.8	−2.2	3.02
Japan	74.7	79.8xd	+0.2	0.0
Mastertrust	66.3	70.5	−0.2	2.33
UK Growth Acc Units	147.9	157.3	−1.6	1.80
UK Growth Dist	102.2	108.7xd	−1.1	1.44
U.S. Emerging Co's	55.4	59.5xd	−0.3	0.08
Equitas Prog.	198.7	211.3xd	−2.6	3.41

Baltic Trust Managers Ltd
20 Chiswell St, London EC1Y 4TY 01-374 6001

American	44.9	47.8	−1.4	0.71
Australian	21.2	22.6	+0.3	2.34
Japan & Gen	103.8	110.5		0.08
High Income	44.2	47.1	−0.4	5.98
Intnl Trust	84.5	89.9	−0.8	1.95
Income Gwth Tst	47.3	50.4	−0.7	3.67
Gilts & Fixed Int	19.8	21.1	−0.1	10.35
Global Markets Sits	34.2	36.4	−0.5	1.99
Special Situations	40.3	42.9xd	−0.8	1.41

Barclays Unicorn Ltd(a)(c)(g)
Unicorn Ho. 252 Romford Rd, E7 01-534 5544

[illegible]

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar Centre, Swindon, SN1 1EL
(0793) 28291. Dealing (0793) 610366

[illegible]

Baring Fund Managers Ltd
PO Box 156, Beckenham, Kent BR3 4XQ 01-658 9002

[illegible]

[illegible]

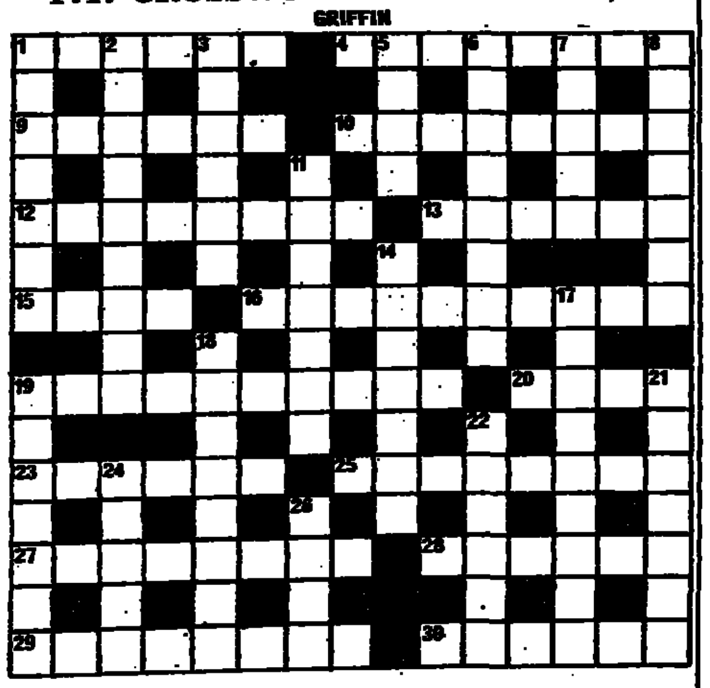
INSURANCES

[illegible]

JOTTER PAD

F.T. CROSSWORD PUZZLE No. 6,182

GRIFFIN



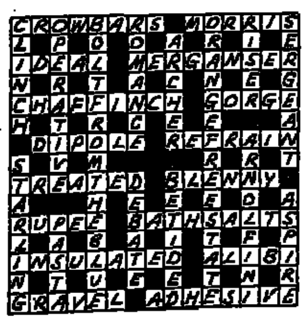
ACROSS

1 Approaching expiry date, no doubt about it (6)
4 Telephone Dora about the way to avoid town centre (4, 4)
9 Back cites the apple core in it, rotting (6)
10 Are involved in Hunt's Construction, which digs up things (8)
12 Wicked action of actor ruined it before end of play (8)
13 Rush round front of hospital, worse perhaps (6)
15 Reason for turning against the American (4)
16 Abner could be in a blue movie, which is intolerable (10)
19 Working out her clue "fly enthusiastically" (10)
20 Go by donkey after parking (4)
23 Seat, the man inside (6)
25 Abandoned in favour of snake dancing (8)
27 Initial of middleweight batting in test (8)
28 Adult pair taking half an hour (6)
29 It's air, they admit (8)
30 State of health of fellow removing front of boiler (6)

DOWN

1 Said I'd moved the pole, showing contempt (7)
2 Work left by a Parisian till convenient (9)
3 Show clearly the new Venice (6)
5 Some international island (4)
6 He's in charge of the butters (8)
7 Being pulled round, won't panic (2, 3)
8 Be worthy of a man ever fresh (7)
11 Puts new case for and gets rise (5, 2)
14 Hotel employee may be rung before dance (7)
17 Worn at funerals and clubs, for instance (5, 4)
18 Against row with father before arriving at border (8)
19 Miserable drunk, going in front, fell (3, 4)
21 Because engineers are not hypocritical (7)
22 Comes to see around top flight (6)
24 Means of controlling what the monarch does, we're told (5)
26 Visit California with a student (4)

Solution to Puzzle No. 6,181



AUTHORISED UNIT TRUST & INSURANCES

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LG 01-680 7181

Alpha Range—Life				
Managed Acc	93.4	98.3	-0.1	—
American Acc	98.8	104.0		—
Deposit Acc	99.2	104.4		—
Economic Acc	106.7	112.3	-0.1	—
Far Eastern Acc	107.2	112.8	+0.3	—
Fixed Interest Acc	81.8	86.1	-0.5	—
International Acc	105.2	110.8		—
Property Acc	114.6	120.7	-0.3	—
UK Equity Acc	92.3	97.2	+0.1	—
Alpha Range—Pensions				
Managed Acc	95.4	100.4	-0.1	—
Premier Range				
Managed Acc—Life	102.6	108.0	+0.3	—
Managed Acc—Pensions	103.7	109.1	+0.2	—

Other unit prices available from American Life

Baltic Assurance Funds
20, Chiswell St, London, EC1Y 4TY 01-374 6801

Managed Growth	248.03	261.08	-0.27	—
Managed Income	119.34	125.62	-0.27	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Barclaybond	349.2	367.6	....	—
Managed Accum.	296.1	311.7	....	—
Equity Accum	431.0	453.7	....	—
Property Accum	206.5	217.4	....	—
International Accum	265.0	279.0	....	—
Gilt-edged Accum	193.2	203.4	....	—
Money Accum	175.7	185.0	....	—
American Accum	178.8	188.3	....	—
Australia Accum	152.1	160.2	....	—
Financial Accum	201.4	212.0	....	—
"500" Accum	217.4	228.9	....	—
European Growth Accum	140.7	148.2	....	—
Income Accum	240.9	253.6	....	—
Japan & Gen Accum	296.4	312.0	....	—
Leisure Accum	148.9	156.8	....	—
Spec Sits Fd Accum	121.4	127.8	....	—
Universal Tec Accum	107.1	112.8	....	—
Managed Pnc Accum	394.1	414.9	....	—

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

Equity Fd(A&B) Nov 12	256.5	270.5		—
Fixed Int(A&B) Nov 12	163.5	172.5		—
Man Grwth(A&B) Nov 12	527.5	555.5		—
Money Fd (A&B) Nov 12	142.0	149.5		—
Cap Fd(A&B) Nov 15		400.0	....	—
G.A.S. SpecFd(A&B)Nov15		166.0	....	—
FarEastEqty(A&B)Nov 12	177.5	187.0	....	—
N.Amer Eqty(A&B)Nov 12	109.0	115.0	....	—
IntTechnlgy(A&B)Nov 12	157.5	166.0	....	—
Property (A&B) Nov 12	198.5	209.0	....	—

Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070

Life Funds				
UK Equity	141.7	149.4	-1.0	—
American Equity	123.8	130.0	..	—
Far East Equity	157.8	166.4	..	—
Managed Fund Acc	368.0	388.0	..	—
International Equity	182.2	192.2	..	—
Gilt Edged	178.9	188.7	..	—
Money Fund	144.2	152.1	..	—
CCL Henderson	157.4	166.0	..	—
CCL Perpetual	196.7	207.5	..	—
CCL Property	227.4	239.9	..	—
Smaller Cos.	250.6	264.3	..	—
Perpetual Eurogrowth	114.7	121.0	..	—
CCL Hend'sn Prime Re	97.2	102.5	..	—

Criterion Assurance Group
Swan Court, Petersfield, Hants 0730 63281

Ultimate Mngd Fund	171.7	180.7	+1.8	—
Criterion Mngd Fund	168.1	173.8	+0.5	—
Pension Mngd Cap	51.6	54.3	-0.8	—
Pension Mngd Acc	60.3	63.5	-1.0	—
Pension G'nteed Dep Ac	34.5	36.4	+0.2	—

For closed Fund unit prices ring 0730 63281

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 04862 5033

Life Funds

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3M 5DY 01-488 0733

Hambro GeneraliUKGth	107.7	113.4		—
Hambro Generali Ppty	114.4	120.5	..	—
Hambros Canadian	115.6	121.7	..	—
Hambros Equity Inc	119.0	125.3	..	—
Hambros European	121.5	127.9	..	—
Hambros High Income	118.4	124.7	..	—
Hambros Jap & Far East	147.1	154.9	..	—
Hambros Nth American	111.2	117.1	..	—
Hambros Res & Assets	115.8	121.9	..	—
Hambros Scandinavian	133.8	140.9	..	—
Hambros Smaller Cos	127.1	133.8	..	—
Generali Intnl Managed	309.5	325.8	..	—
Generali Int Mgd Pens	134.6	141.7	..	—
Generali Cash	101.2	106.6	..	—

General Portfolio Life Ins. Plc
Crossbrook St, Cheshunt, Herts 0992 31971

Life Funds				
Portfolio Fd Acc	403.2	403.2	-1.6	—
Portfolio Inv. A	403.1	424.5	-1.7	—
UK Equity	200.3	211.0	-0.5	—
Overseas Equity	143.4	151.1	-1.3	—
Smaller Companies	115.1	121.3	-0.3	—
Far Eastern	122.7	129.3	+0.1	—
European	119.1	125.5	+0.2	—
North American	104.7	110.3	-1.4	—
Gilt Plus	110.0	115.9	-0.5	—
Fixed Int. Dep	112.4	118.4	....	—
Building Soc	110.7	116.6	....	—
Property	126.6	133.4	-0.4	—
Index-Linked Gilt	95.6	100.7	....	—
Managed	161.4	170.0	-0.7	—
Int. Managed	144.4	152.1	-1.0	—
Gartmore	107.0	112.7	-0.4	—
Framlington	106.2	111.8	-0.6	—
Perpetual	101.6	107.0	-0.2	—
Fidelity	104.0	109.6	-0.3	—
Guinness Mahon	99.2	104.5	....	—
Midland	112.5	118.5	-0.2	—
N. M. Rothschild	96.5	101.7	+0.1	—
Pension Funds				

The LAS Group
10 George St, Edinburgh 031-225 8494

Consistent Life Assurance				
Managed Fund	212.1	225.3	-0.9	—
UK Equity	246.7	261.8	-4.0	—
Property	186.8	198.1		—
Money Market	141.7	149.6	+0.1	—
Fixed Int.	156.9	166.5	-1.2	—
Japan	276.2	293.0	+0.7	—
North America	140.9	149.5	-1.3	—
International	194.3	206.1	-2.4	—
Natural Res	67.3	71.5	+0.4	—
European	174.8	184.5	+1.2	—
Far East	111.1	117.3	+1.1	—
High Technology	94.0	99.3	+0.3	—
Special Situations	105.2	111.1	-0.8	—
Pension Funds				
Managed	135.1	143.0	-0.9	—
International	131.6	138.8	-1.0	—
Property	120.7	127.3	...	—
Money Market	120.4	127.1	+0.2	—
Fixed Interest	118.4	124.7	-0.9	—
UK Equity	142.5	150.2	-2.1	—
North America	101.3	106.8	-0.9	—
Japan	146.9	154.9	+0.4	—
European	174.6	184.1	+1.0	—
Broker Life Funds				
Allied	129.1	136.1	...	—
Dowry Investment	98.9	104.3	-0.2	—
EP World Dist	142.1	149.8	-0.3	—
Metro Asset Mngd	115.0	121.4	+0.1	—
Murray Noble Top 20	100.3	104.2	+0.1	—
Sovereign	93.6	98.7	-1.2	—
Stewart Short Scorpio	95.9	101.2	—	—

Legal & General (Unit Assur) Ltd
2 Montefiore Road, Hove, BN3 1SE 0273 724588

Bldg. Soc. Linked	102.9	108.4	..	—
Do. Accum.	109.4	115.2	+0.1	—
Cash Initial	129.3	136.2	..	—
Do. Accum.	173.2	182.4	+0.1	—
Equity Initial	388.6	409.1	-3.8	—
Do. Accum.	520.3	547.7	-7.7	—
European Initial	132.6	139.4	+0.9	—

Merchant Investors—Cont.

Intnl. Currency		167.8	+2.2	—
Do Pens		215.5	+0.1	—
Index Linked		110.3	+0.1	—
S & C Managed Fd		126.5	-0.1	—
Trustlink Life Funds				
Per Worldwide Rec		139.5	-0.3	—
Per Far East Growth		152.5	-0.2	—
Per Intl Growth		137.7	-0.9	—
Per Income		132.5	-0.4	—
Per Emerging Co's		136.9		—
Per American Growth		134.6	-0.4	—
Per European Growth		117.9	-0.1	—
Fra American & Gen		124.2		—
Fra Capital		125.8	+0.3	—
Fra Income		133.7		—
Fra Intl Growth		126.2		—
Fra Japan & Gen		150.7	+1.0	—
Fra Recovery		145.7	-0.3	—
Fra Convertible & Gilt		118.9	+0.1	—
Fra European		127.7	-0.3	—
GAR American		120.8	-0.1	—
GAR European		156.3	-0.1	—
GAR Far Eastern		169.7	+0.7	—
GAR British		135.9	-0.2	—
GAR Global		149.1	-0.7	—
GAR Special Situations		138.6	-0.4	—
GAR Smaller Co's		140.8	-0.3	—
GAR Australian		128.8	-1.7	—
HEN Managed		150.0	-0.3	—
HEN UK Growth		134.1	-0.1	—
HEN UK Income		134.4	-0.5	—
HEN American		118.4	-0.5	—
HEN Far East		157.8	+0.8	—
HEN European		170.0	-0.2	—
HEN Prime Res Prop		99.9		—
TSB American		127.8		—
TSB General		143.8		—
TSB Managed		129.9	-0.1	—
TSB Pacific		154.7	+0.8	—
TSB Selected Opps		136.8	-0.2	—
FID American		100.4	-1.7	—
FID Japan		96.6	+0.9	—
FID European		203.4	+0.2	—

Premium Life Assurance—Cont.

Gartmore Mngd	108.0	114.0		—
German	144.0	152.0	-1.0	—
Gilt	139.0	147.0	-1.0	—
High Inc	113.0	119.0		—
International Equity	186.0	196.0		—
Japan	209.0	220.0	-2.0	—
Oppenheimer Mngd	114.0	120.0	-2.0	—
Property	179.0	188.0		—
UK Equity	224.0	236.0		—
Pension Funds				
American	105.0	111.0		—
Building Soc. Fd.	128.0	135.0		—
Balanced	149.0	157.0		—
Deposit	130.0	137.0		—
European	172.0	182.0		—
GT Managed	182.0	192.0		—
Gartmore Mngd	113.0	119.0		—
German	144.0	152.0		—
Gilt	112.0	118.0		—
International Equity	131.0	138.0		—
Japan	123.0	130.0		—
Oppenheimer Mngd	121.0	128.0		—
Property	125.0	132.0		—
UK Equity	162.0	171.0		—

Property Equity & Life Ass. Co
Baxter Ave, Southend SS2 6QH 0702 333433

Int Man Pension Fd	127.7	134.6		—
Int Man Crncy Bd Fd		124.9		—
Flexible Prop. Bd. Fd		156.1		—
Flexible Money Bd. Fd		279.9		—
Special Man. Inc. Fd		109.8		—

Property Growth Assur Co Ltd
Leon House, Croydon CR9 1LU 01-680 0606

Property Fund		297.2		—
Property Fund (A)		285.9		—
Agricultural Fund		827.3		—
Agric. Fund (A)		794.8		—
Abbey Nat. Fund		254.4		—
Abbey Nat. Fd. (A)		249.3		—
Investment Fund		188.4	-1.8	—
Investment Fund (A)		182.8	-1.8	—
Equity Fund		636.3	-8.8	—

Royal Heritage Life—Cont.
MIM Britannia—Series A

American Growth	79.4	83.6	-0.1	—
European Smaller	116.3	122.5		—
International Leisure	100.6	105.9	+0.3	—
US Income	80.5	84.8	-1.4	—
US Smlr Co's	119.7	126.1	+0.2	—
Commodity	77.5	81.6	-1.9	—
Extra Inc.	124.3	130.9	-0.2	—
Far East	124.4	131.0	+0.5	—
Fin Secs	184.3	194.0	-0.2	—
Gold	54.2	57.1	-1.5	—
Inc Growth	187.1	197.0	-0.2	—
Intl Growth	146.9	154.7		—
Intl Recovery	206.1	217.0	-0.4	—
Japan Perf	193.0	203.2	-3.6	—
Japan Smlr Cos.	95.3	100.4	....	—
Nat High	184.9	194.7	+5.0	—
Prop Shares	165.3	174.1	-0.8	—
Smaller Cos.	200.6	211.2	-0.3	—
Univ Energy	45.6	48.1	-0.1	—
World Tech	121.3	127.7	-0.6	—
Man Growth	179.6	189.1	-0.3	—
Gilt	88.4	93.1		—
Hong Kong	92.6	97.5	+0.7	—
Acc Growth	107.8	113.5	-0.8	—
European Perf.	106.0	111.6	-0.5	—
Gartmore Funds—Series A				
American	159.6	168.1		—
Australian	102.4	107.8	-2.8	—
British	169.4	178.4	-0.2	—
Commodity	143.7	151.3	-1.2	—
European	148.2	156.0		—
Extra Inc	167.8	176.7		—
Far East	241.4	254.2	+1.5	—
Intl Fixed Interest	92.2	97.1		—
Global Strgy	310.7	327.1	-1.4	—
Gold Share	52.7	55.5	+1.1	—
Hedged American	102.2	107.6	-3.4	—
High Inc	203.3	214.0	-0.3	—
Hong Kong	99.5	104.8	+0.7	—
Income	255.8	269.3	-0.5	—
Japan	283.6	298.6	+0.2	—
Oil & Energy	115.2	121.3		—
Special Sits	229.9	242.1	-0.8	—
UK Smlr Cos	215.9	227.3	-0.5	—

Scottish Provident Institution
6 St Andrews Sq, Edinburgh 031-556 9181

Mixed	146.7	154.6	-0.6	—
Equity	161.1	169.7	-1.3	—
International	174.7	184.0	-0.5	—
Property	111.5	117.5		—
Fixed Interest	108.8	114.6	-0.8	—
Index-Linked	99.1	104.5	-0.2	—
Cash	114.3	120.4		—
Pens. Mixed Ini.	143.3	150.9	-0.7	—
Do. Ord.	157.8	166.2	-0.8	—
Pens. Equity Init.	161.8	170.4	-1.4	—
Do. Ord.	178.5	187.8	-1.5	—
Pens. Intnl. Init.	172.1	181.5	-0.5	—
Do. Ord.	189.6	199.6	-0.5	—
Pens. Property Init.	109.4	115.3		—
Do. Ord.	120.0	126.4		—
Pens. Fixed Int. Init.	110.6	116.5	-0.8	—
Do. Ord.	121.8	128.3	-0.6	—
Pens. Index-Link. Init.	93.5	98.5	-0.2	—
Do. Ord.	103.1	108.6	-0.2	—
Pens. Cash Init.	115.4	122.4		—
Do. Ord.	127.3	134.1		—

Scottish Widows' Group
PO Box 902, Edinburgh EH16 5BU 031-655 6000

Inv Pol 1 Nov 14	469.0	469.0		—
Inv Pol 2 Nov 14	433.2	456.1		—
Inv Pol 3 Nov 14	423.7	446.1		—
Inv Pol Cash Nov 14	181.9	190.9		—
Mixed Fund	234.2	246.7		—
Equity Fund	270.0	284.3		—
Property Fund	142.1	149.7		—
International Fund	249.4	262.6		—
Fixed Int. Fund	175.1	184.4		—
Index Stk. Fd.	112.1	118.1		—
Cash Fd.	134.0	141.1		—
Pens. Mixed Fd. Ord.	280.7	295.6		—
Pens. Equity Fd. Ord.	308.8	325.2		—
Pens. Prop. Fd. Ord.	162.9	171.6		—
Pens. Int. Fd. Ord.	297.9	313.7		—
Pens. Fxd. Int. Fd. Ord.	216.4	227.9		—
Pens. Ind. Stk. Fd. Ord.	117.3	123.6		—
Pens. Cash Fd. Ord.	167.8	176.8		—

INSURANCE, OVERSEAS & MONEY FUNDS

Sun Life Unit Assurance Ltd
St James Barton, Bristol BS99 7SL 0272 426911

Managed Acc.	420.4	442.6	-2.6	-
Property Acc.	215.7	227.1	+0.1	-
Equity Acc.	557.2	586.6	-5.9	-
Fixed Interest Acc.	188.9	198.9	-1.5	-
Index-Linked Acc.	109.8	115.6	-0.4	-
Cash Acc.	182.3	191.9		-
American Equity Acc.	192.8	203.0	-4.0	-
U S Bonds Acc.	137.4	144.7	+0.3	-
Japan Acc.	215.4	226.8	+4.4	-
Pacific Acc.	136.8	144.0	+0.8	-
Far Eastern Acc.	410.4	432.1	+3.9	-
International Acc.	359.8	378.8		-
U S Dollar Acc.	100.7	106.0	+0.4	-
Yen Acc.	129.0	135.8	+0.3	-
European Currency Acc.	118.3	124.6	+0.5	-
Distribution	173.0	182.2		8.50
European	125.5	132.2	+1.0	-

Sun Life Pensions Management Ltd
(funds for individual pension contract)

Pens. Managed Acc.	454.2	478.2	-2.9	-
Pens. Property Acc.	182.9	192.6		-
Pens. Equity Acc.	568.3	598.3	-6.1	-
Pens. F. Interest Acc.	191.7	201.8	-1.7	-
Pens. Ind. Lnkd. Acc.	110.2	116.1	-0.5	-
Pens. Cash Acc.	196.5	206.9		-
Pens. Amer. Equity Acc.	188.4	198.1	-4.9	-
Pens. U.S. Bonds Acc.	153.7	161.8	+0.5	-
Pens. Japan Acc.	219.6	231.2	+3.5	-
Pens. Pacific Acc.	168.1	177.0	+0.9	-
Pens. Far Eastern Acc.	636.0	670.5	+5.5	-
Pens. Internat. Acc.	500.4	526.8	+1.3	-
Pens. U.S. Dollar Acc.	106.4	112.0	+0.4	-
Pens. Yen Acc.	154.3	162.5	+0.6	-
Pens. Euro. Curr. Acc.	133.3	140.4	+0.7	-
Pens. Euro. Acc.	128.9	135.7	+1.2	-

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks 0732 450161

Equity	£239.06	246.45	-	-
Fixed Int.	£147.39	148.15	-	-
Index Linked	£112.62	113.18	-	-
Property	£182.16	187.79	-	-
Cash	£140.84	140.84	-	-
Mixed	£215.19	221.84	-	-
International	£192.70	198.65	-	-

Next sub day November 26.

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 62188

Managed Fund	143.9	151.4	-0.1	-
Property Fund	119.5	125.9		-
Fixed Int. Fund	118.9	125.3	-0.8	-
Money Fund	117.9	124.2		-
Equity Fund	188.4	198.4	+0.7	-

TSB Pensions Ltd.

Knight Williams & Company Ltd
33 Cork Street, London W1X 1HE 01-409 0271

KW M&G Managed				-
KW Henderson Man 1	95.3	100.4		-
KW Henderson Man 2	95.1	100.1		-
KW GPE Managed	97.4	102.6	-0.1	-
KW Schroder Man	93.7	98.6	-0.3	-
KW Provincial Man	93.4	98.4		-
KW CM&G Fd Man	96.0	101.1	+0.7	-
KW Albany Man.	96.7	101.7		-
KW Crown Man				-
KW Ryl Heritage Man.				-

Lamont & Partners Ltd.
48 Charles St., London, W1X 7PB. 01-629 4509
Private Mangd Accum. 167.6 176.5 -0.3 -

Management & Executive Ltd
Royal Hse, Sovereign St., Leeds 0532 435200

M&E RH Man Fd	137.1	144.4	-0.6	-
M&E GRE Man Fd(z)	120.8	127.2	-0.2	-
M&E Eq Law Man Fd(z)	103.4	108.8	-0.1	-
M&E Crown Man Fd(z)	101.3	106.6	-0.5	-
M&E Schroder Pen Fd(z)	117.0	123.1	-0.1	-
M&E Target Pen Fd(z)	59.2	62.4	+0.2	-

Marsh Financial Management Ltd
2/4 Vale Ave, Tunbridge Wells. TN1 1DJ. 0892 515616

Marsh (M&G) Fund	101.5	106.7	+0.6	-
Marsh (M&G) Pens Fd.	116.6	122.5	-0.7	-
Marsh (Target) Fund	101.2	106.4	+0.3	-
Marsh (Target) Pens Fd.	55.8	58.8	+0.1	-
Marsh (Schroder) Fund	95.7	100.7	+0.2	-

Noble Lowndes & Partners Ltd
PO Box 144, Croydon 01-686 2466

Lowndes (Chr. Man.)	99.7	105.0	-0.3	-
Lowndes (Scot. Equit.)	99.3	104.5	-0.7	-

The Norminster Group
71, London Rd, Peterborough, PE2 9BB 0733 42200

Mngd. Scot Mut.	103.5	109.0	-	-
Man-Schroder	98.7	103.8	-0.4	-
Pro Man-Schroder	97.6	102.7	-0.4	-

PBR Fund Management Ltd.
146a Queen Victoria St, EC4V 5AP 01-236 4070

Flexi-Bond	128.2	134.7	+0.1	-
Flexi Pension Bond	115.7	121.5	-0.5	-
Managed Bond		100.4		-
Managed Pension		99.8	-0.2	-

The Porchester Group
91 Wimpole Street, London W1M 7DA

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

NOTES

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect.	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons.	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Secs.	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	Brist. Oil & Min.	3½
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd.	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46		
Marks & Spencer	18	Cons Gold	62
Midland Bk.	48	Lonrho	22
Morgan Grenfell	26	Rio T Zinc	62

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Cobalt price soars with stabilisation pact

BY STEFAN WAGSTYL

COBALT PRICES soared by 25 per cent yesterday ahead of an announcement that Zaire and Zambia, the world's largest producers, had ended a price war and signed a price stabilisation pact.

Late afternoon, Zambia Consolidated Copper Mines, the state mining company, said that the two countries had signed an agreement in Kinshasa to fix a $7.00 a pound producer price for the metal "in order to protect the long-term usage of cobalt. The price would apply from today. No confirmatory statement from Gecamines, the Zaire state company, was available.

Earlier hectic trading in London, New York and Continental Europe had bid up prices from $4.50 to $6.00 a pound in the space of a few hours. "You get two or three days like this a year," said one trader.

Traders said that they now expected prices to steady at just over $6 a pound, as long as the two countries could make the agreement stick.

The price rise follows a very unsettled year in the cobalt market during which prices have fallen after the previous agreement between Zaire and Zambia fell apart. This successfully kept free market prices at about $11 a pound for most of 1984 and 1985 as the two countries, which account for some 75 per cent of Western world output, restrained production. However, the price level encouraged other producers to increase output, pushing free market prices down.

As first Zambia and then Zaire abandoned producer pricing in favour of stepping up output to keep market share, prices fell to a low of about $3.70 a pound in August.

This prompted merchants and others to stockpile metal. Prices rose to $4.50 a pound and then leapt to $6.40 in two hectic days' trading in September, amid rumours that Zaire was keeping cobalt off the market. Prices fell back when the reports proved to be unfounded.

Some 20,000 tonnes of cobalt are supplied to the West annually, including sales from Communist countries. The metal is used to harden steel in special alloys and in magnets. Wild swings in prices have driven many consumers to look for alternatives, among them replacing cobalt with nickel in steel alloys.

Zaire produces some 10,000 tonnes a year and Zambia more than 4,000 tonnes. But their efforts to co-ordinate supplies in order to control prices have often been hampered by their pressing needs to maximise foreign exchange earnings. Most other countries produce cobalt as a by-product of nickel mining.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,400-2,500.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.05-2.25.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.86-0.90, sticks, 0.86-0.90.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 165-172.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.12-3.17.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.10-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 30-42.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.48-2.53.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

LME members support reform streamlining

BY STEFAN WAGSTYL

MEMBERS OF the London Metal Exchange have come out in support of a streamlining of plans to reform the exchange's management which were presented in a far-reaching review by Price Waterhouse, accountants.

Price Waterhouse proposed that the exchange's current structure, in which decision-making powers are shared by a co-opted board and an elected committee, should be replaced by a council, to decide strategy, and a supervisory board, to oversee day-to-day management.

However, exchange members, who were asked to comment on the plans, mostly favour the creation of only one elected governing body—similar to those which administer most other futures exchanges. In addition, many members support strengthening the exchange's secretariat to a greater degree than suggested by Price Waterhouse.

The members' comments are being considered by an LME sub-committee chaired by Mr John Wolff. This is expected to assemble a package of proposals which will be put before a meeting of LME members, probably after Christmas.

Meanwhile, the LME authorities are continuing to discuss the future of their trading system with the Securities and Investments Board, the fledgling City regulatory body.

Mr Michael Brown, LME chief executive, said yesterday the exchange and the SIB were making good progress. It was a question of refining the proposals.

The exchange is committed to replacing its present principal-to-principal trading system with one in which a clearing-house stands as a guarantor

Bauxite association sets price policy

BY CANUTE JAMES IN KINGSTON

THE International Bauxite Association (IBA) has recommended to its members that they sell bauxite next year at minimum prices similar to those recommended for this year, but that they offer alumina at slightly higher prices.

At the end of their annual meeting at the association's headquarters in Jamaica the Ministerial Council recommended that for 1987, its members offer bauxite at between 2.5 per cent and 3.5 per cent per tonne of the IBA's composite reference price for primary aluminium ingot.

The association's composite reference price is based on a formula which is determined by prices for 99.5 per cent purity primary aluminium ingot, calculated on the basis of 50 per cent of medium to long term prices and 50 per cent of spot prices prevailing in domestic markets in North America and Europe.

The producers' group has also recommended a minimum price for alumina of between 14 per cent and 18 per cent per tonne of the composite reference price for aluminium ingot. A year ago it recommended that for 1986 the minimum price for bauxite should be 2.5 per cent to 3.5 per cent of the reference price, while the recommended price for alumina should be 12 per cent to 16 per cent of the reference price.

A spokesman for the IBA said the recommended prices were meant as a guide, and were not binding on the members — Australia, Ghana, Guinea, Guyana, India, Indonesia, Jamaica, Sierra Leone, Surinam and Yugoslavia.

The Ministerial council said that world bauxite industry had grown by two per cent this year.

Patchy performances leave US options enthusiasts undismayed

BY DAVID OWEN IN CHICAGO

WITH FOUR launches in the last six weeks the US Futures exchanges have just completed their most concentrated spate of soft non-metal commodity options contract introductions since Congress repealed a 46-year ban on options trading in 1982.

The launch of options on coffee futures by the Coffee Sugar and Cocoa Exchange (CSCE), and on pork belly futures by the Chicago Mercantile Exchange (CME), in early October, were followed on November 14 by a New York Mercantile Exchange (Nymex) option on crude oil futures and this week by a Chicago Board of Trade (CBT) option on wheat futures.

More than ever it appears American exchanges are viewing options as a means of maintaining or expanding traditional commodity business on their trading floors at a time when trading volume for agricultural and other soft futures continues to be depressed by low market prices and generally low volatility.

But the patchy performance of the six most recent additions amply illustrates that there is no certainty about the success of such contracts.

Admittedly, Nymex's crude oil options got off to the blistering start its backers had anticipated, posting first day volume in excess of 5,000 to out-trade every other US soft commodity option on the day. Estimated second day volume dropped off to 3,352, but few doubt the probable success of Nymex's latest product—at least for as long as world oil prices remain so unpredictable.

And the November 17 launch of CBOT wheat options with initial estimated volume of 450 was by no means a disaster.

Although it is competing with established wheat options contracts at the Kansas City Board of Trade, the Minneapolis Grain Exchange and the Mid-America Commodity Exchange analysts believe that the CBOT contract has a better than even chance of establishing itself. "The potential is there for wheat option because of the speculative interest that tends to come to Chicago and the reasonably tight soft red wheat supply," according to Mr Jerry Gidel, a Chicago-based research director with G. H. Miller and Company.

But a glance at the fortunes of the four other soft commodity options launched during the past year on the New York Cotton Exchange, the CSCE and the CME shows that none has yet really earned its stripes. On Monday their estimated combined volume was just 152 with individual scores ranging from 92 for the CSCE's coffee options down to zero for its cocoa options.

"In the most traditional markets, there is still some lack of enthusiasm for options," comments G. H. Miller's Mr Gidel. "In many clearing companies it tends to be the currency and S. & P. (Standard and Poors) options traders who go into the cattle options pit — not the cattle futures guy."

While it may be causing officials a few sleepless nights, there is scant sign that the number of slow starters among recently launched soft commodity options is diminishing exchanges' enthusiasm for adding to the list. The CBOT for one, would still like to have an option on every active futures contract it seems, and is pushing ahead with the planned mid-February launch of options on both soyabean oil and soyabean meal futures.

Crude oil options trading on the New York Mercantile Exchange.

Commission stands firm on dairy cut demand

By Quentin Peel in Brussels

THE European Commission yesterday insisted that it will maintain its demand for a minimum 9.5 per cent cut in EEC dairy production, in spite of the complete failure of Farm Ministers to find any common ground to agree on its reform plan this week.

The tough line from the Commission emerged after Mr Michael Jopling, the British Minister and current chairman of the Council of Farm Ministers, decided after lengthy consultations that the lack of flexibility and political will from virtually all member states made it impossible to start round-table negotiations.

"We insist absolutely on the figure of 9.5 per cent for a reduction in production," a Commission official said yesterday. "That is the minimum we consider necessary."

The problem for both the Commission and the British presidency is that objections to the dairy reform package are different from virtually every member state, leaving no qualified majority for any solution.

The Commission is seeking to double the cut in dairy production quotas already agreed — from 3 per cent to 6 per cent by 1988 — and tighten up on the administration of the quota system to prevent them being transferred between farmers or between different regions in any member-state.

Those plans are intended to cut current production of just over 100m tonnes a year by 9.5 per cent, which the Commission estimates is the actual surplus of supply over demand, once exports are taken into account. The dairy sector is the agricultural surplus in most chronic surplus on the EEC, causing the biggest drain on the budget.

Officials now have only three weeks to find room for a compromise before that next Farm Ministers' meeting, if the whole issue is to be resolved during the current British presidency. At the same time they have to find agreement on reorganisation of the beef market, with the Commission still pressing for the suspension of intervention purchases.

The main critics of the dairy package come from the Mediterranean member states, France and West Germany.

Italy, Greece and Spain all maintain that as they are not in national surplus on dairy production, they should not be expected to suffer the very same quota cuts as the northern states. Their insistence on that point, and the fact that their support is needed to find any qualified majority of votes in the Council, was a major factor in the stalemate of this week's talks.

West Germany is prepared to accept the need for the full amount of production cuts, but Mr Ignaz Kiechle, the German Agriculture Minister, is adamant that farmers' incomes must be maintained at all costs. The level of compensation required — about double the present level of the dairy "outgoers" scheme — is ruled out by the Commission as quite unrealistic within the EEC budget limits.

Mr Francois Guillaume, the French Farm Minister, actually suggests that the Commission's calculations of the dairy surplus—regarded by most outside observers as extremely conservative—are exaggerated. He argued in the talks that greater efforts could be made to win export markets for the EEC's huge butter and skimmed milk powder (SMP) mountains.

France wants a smaller quota cut, and an increase in the protein content of milk to cut the SMP surplus, but no phasing out of the system for sharing quotas between regions.

For its part, the UK—represented by Mr John Gummer, the junior minister while Mr Jopling is in the chair—would prefer to see larger quota cuts, but keep the flexibility to enforce quotas at dairy level rather than at the level of each individual producer.

The whole problem seems certain to be thrashed out again in the high level group of Ministers' most senior advisers before the next Council meeting, in spite of the fact that the tactic failed on this occasion.

Perhaps the biggest problem in the path of a solution, however, is that there is no obvious and absolute deadline for agreement.

Mr Frans Andriessen, the Farm Commissioner, can only repeat that the situation will get worse. "We know very well that you cannot reach agreement quickly," an official said. "But the more time it takes, the more drastic measures will have to be taken. In the end the decision may be taken out of the hands of the Farm Ministers' hands."

Gas complaints

A NATIONAL campaign to make the public more aware of where to go with gas complaints after the flotation of British Gas will start next month.

The Gas Consumer Council will begin a £200,000 self-advertising campaign which will last 18 months.

LONDON MARKETS

THE LONDON Metal Exchange zinc market came under renewed pressure yesterday before steadying somewhat in the afternoon. Traders thought the shake-out, which drove the cash position down by £17.75 to £554.50 a tonne, was partly the result of option traders liquidating cover taken against call options which, following the recent heavy price fall, are now unlikely to be executed. The cash price has now fallen by £78 from the peak reached at the end of the October before the settlement of a long running strike at Noranda's Valleyfield, Quebec smelter set the market on the downward path. Yesterday's fall featured a narrowing of the cash premium over three months metal from £11.75 to £4.25 a tonne, an indication of easier supply availability. Coffee futures, following Tuesday's fall, halted the latest sequence of falls yesterday. But the £42 rise still left the January position with a net loss of £170 over the last four trading days. Cocoa's price slide continues meanwhile, with the March positions £14 fall to £1,497.50 a tonne taking the decline on the week so far to £85.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

Official closing (am): Cash 795-6 (784-4.5); three months 808-8.5 (807-8); settlement 796 (784.5). Final Kerb Close: 804-05. Turnover: 10800 tonnes.

	Unofficial + or close (p.m.) £ per tonne		High/Low
Cash	789.5-90.5	-3.75	
3 months	801-1.5	-4.5	806/802

COPPER

Grade A	Unofficial + or close		High/Low
Cash	915.5-6	+5	919/911
3 months	939-9.5	+5.5	944/934.5

Official closing (am): Cash 911-11.5 (907-7.5): three months 934.5-5 (932-2.5); settlement 911.5 (907.5). Final Kerb Close: 943-3.5.

Standard			
Cash	895-7	+7.5	890 890
3 months	920-3	+6.75	

Official closing (am): Cash 890-1 (885-6): three months 915-7 (911-3); settlement 891 (886). US Producer prices 61.5/66 cents per pound. Total turnover 29275 tonnes.

LEAD

	Unofficial + or close (p.m.) £ per tonne		High/Low
Cash	338-40	+2.25	341/340
3 months	329-9.5		331/329

Official closing (am): Cash 338.5-40 (337-8); three months 330-0.25 (329.5-30); settlement 340 (338). Final Kerb Close: 329.5-9. Turnover 9650 tonnes. US Spot 24/29 cents per pound.

NICKEL

	Unofficial + or close (p.m.) £ per tonne		High/Low
Cash	2565-8	+5.5	
3 months	2600-5	+2.5	2610/2602

Official closing (am): Cash 2572-5 (2565-70): three months 2602-3 (2601-5): settlement 2575 (2570). Final Kerb Close: 2600-05. Turnover: 780 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 15.59 (15.95) ringgit per kg. Up 0.4 ringgit per kg.

ZINC

Official settlement 566.3 (571). Final Kerb Close: settlement 556.5 (571). Final Kerb Close: 555.5. Turnover 41900 tonnes. US Prime Western: 44-50.75 cents per pound.

High grade	Unofficial + or close (p.m.) £ per tonne		High/Low
Cash	554-5	-17.75	563/556
3 months	550-0.5	-10.25	559/550

Official closing (am): Cash 556-6.5

GOLD

Gold rose $2 to $393-$393½ on the London bullion market yesterday. It opened at $392-$392½ and was fixed at $391.50 in the morning and $393.40 in the afternoon. The metal touched a peak of $393½-$394 and a low of $391½-$391¾.

GOLD BULLION (fine ounce) Nov. 19		
Close	$393-393½	(£276-276½)
Opening	$392-392½	(£275¼-275¾)
M'n'g fix	$391.50	(£274.884)
Aft'n'n fix	$393.40	(£276.653)

GOLD AND PLATINUM COINS		
Am Eagle	$406-416	(£287¼-292½)
Mapleleaf	$403¼-407¾	(£283¼-287½)
Kr'g'rnd	$390-393	(£275-277)
½ Krug	$199½-200¾	(£140¼-141¼)
¼ Krug	$102-103	(£72-72½)
Angel	$400-408	(£283-284½)
1/10 Angel	$41-45	(£29-31)
New Sov.	$93-96	(£65-67)
Old Sov.	$93-94½	(£65½-66½)
$20 Eagle	$470-520	(£331½-366½)
Noble Plat	$500-510	(£352½-359½)

SILVER

Silver was fixed 0.3p an ounce higher for spot delivery in the London bullion market yesterday at 391.85p. US cent equivalents of the fixing levels were: spot 555.25c, down 1.75c; three-month 563.3c, down 1.9c; six-month 571.25c, down 1.9c; and 12-month 588.5c, down 2.5c. The metal opened at 390-392p (556-558c) and closed at 390-392p (553-555c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	391.85p	+0.30	390p	+1
3 months	402.40p	+0.10	400.5p	+1.5
6 months	412.40p	+0.45		
12 months	432.65p	+0.05		

LME—Turnover: 1 (10) lots of 10,000 oz.

Three months high 402p, low 400p, final kerb 400-1p.

SOYABEAN MEAL

Keen commercial buying was met by speculative liquidation and local selling, reports Muirpace.

	Yesterdays close	+ or −	Business done
	£ per tonne		
Dec	131.0-132.5	-0.20	131.5
Feb	132.5-133.0	-0.15	133.5-132.5
April	132.0-133.5	-0.05	133.5
June	128.5-130.0		130.0-129.5
August	128.5-128.0	+0.10	129.0
October	128.5-130.0	+0.10	
Dec	129.5-130.0		

Sales: 243 (1,200) lots of 20 tonnes.

INDICES				
REUTERS				
Nov. 19	Nov. 18	M'nth ago	Year ago	
1615.6	1610.7	1574.8	1727.0	

(Base: September 18 1931=100)

DOW JONES				
Dow Jones	Nov. 18	Nov. 17	M'th ago	Year ago
Spot	118.95	119.06	—	180.28
Fut	118.25	117.38	—	120.41

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 19 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1190/210	-10	$1260/505
Copper			
Cash Grade A	£915.75	+6	£926.5
3 mths	£939.25	+5.5	£951.25
Gold Troy oz	$393.25	+2	$423.75
Lead Cash	£339	+2.25	£309.5
3 mths	£329.25		£307.25
Nickel			
Free Mkt	185/195c		164/184c
Palladium oz	$119.00	+0.25	$137.00
Platinum oz	$491.00	+2	$595.00
Quicksilver†	$165/175	+5	$150/170
Silver troy oz	391.85p	+0.30	405.60p
3 mths	402.40p	+0.10	416.70p
Tin			
free mkt	£4400/450		£4040/90
Tungsten	$45.67	-1.41	$51.86
Wolfram 22.0lb	$32/42		$34/44
Zinc	£564.5	-17.75	£615.5
3 mths	£550.25	-10.25	£610.5
producers	$920		$920
OILS			
Coconut (Phil)	$380y		$390
Palm Malayan	$315u	+5	$310
Copra (Phil)	$250y		$230
Soyabean (U.S.)	$155y	+1	$155
GRAINS			
Barley Fut. Jan.	£111.35	-0.55	£111.15
Maize	£143.00v		£144.50
Wheat Fut. Jan.	£110.40	-0.25	£110.05
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1497.5	-14	£1631
Coffee Ft. Jan.	£2012.5	+42	£2217.5
Cotton A Ind.*	52.80c	-0.85	52.00c
Gas Oil Jan.	$134.5	+0.25	$136.5
Rubber (kilo)	65p	-0.5	67p
Sugar (raw)	$150.5z	+3	$143.5
Wooltops 64s	425p kilo		407p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. v Dec. x Jan-Feb. z Dec-Jan. u Jan.

COFFEE

After a week of heavy liquidation the market paused for breath and traded in low volume in a small range, reports Drexel Burnham Lambert. Profit-taking was evident as the prices managed to rally £68 before running into commission house selling. The New York market followed the same pattern, trading quietly.

Sales: 4,384 (9,454) lots of 5 tonnes.

COFFEE	Yesterday's close	+ or −	Business Done
Nov	2030-35	+10.0	2080-1930
Jan	2010-15	+42.0	2040-1995
Mar	1950-65	+30.0	1970-1940
May	1955-60	+35.0	1965-1955
July	1975-80	+12.5	1995-1980
Sept	1995-00	+27.5	2010-1995
Nov	1990-10	+26.0	—

ICO indicator prices (US cents per pound) for November 18: Comp daily 1979 138.60 (139.41): 15-day average 154.37 (156.01).

COCOA

After opening unchanged futures lost ground despite sterling weakness and finished a moderately active session near the day's lows. Some light industry offtake was noted while producers expressed little selling interest, reports Gill and Duffus.

COCOA	Yesterday's close	+ or −	Business Done
	£ per tonne		
Dec	1467-1468	-13.0	1489-1467
March	1497-1498	-14.0	1512-1497
May	1521-1522	-15.0	1535-1519
July	1547-1548	-11.0	1558-1545
Sept	1568-1570	-10.0	1576-1565
Dec	1598-1599	-10.5	1606-1595
March	1626-1627	-10.5	1635-1625

Sales: 4,104 (2,410) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for November 19: 92.01 (93.33); five-day average for November 20: 93.22 (93.37).

POTATOES

Levels rose by up to £1.20 initially but as the session developed sellers increased pressure and prices slipped lower. Some rumours of higher yield figures to be released next week were generally cited as the main reason for the falling market, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	113.00	112.50	114.00-113.50
Apr	153.50	155.70	156.90-153.50
May	172.50	175.80	175.90-172.50
Nov	85.10	85.00	—
Feb	100.00	101.30	—

Sales: 853 (1,006) lots of 40 tonnes.

GRAINS

Old crops eased on shipper broker selling reflecting bearish trade views of the US maize deal to Spain on a reduced levy basis. New crops encountered further country hedge selling pressure, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yesterday's close	+ or −	Yest'rdy's close	+ or −
Nov	108.20	—	108.80	-0.50
Jan	110.40	-0.25	111.35	-0.55
Mar	113.30	-0.25	113.55	-0.40
May	115.60	-0.30	114.50	-0.75
July	117.10	-0.45	—	—
Sep	101.40	-0.10	101.30	-0.20
Nov	103.60	-0.15	103.75	+1.55

Business done—Wheat: Nov 108.20-8.10, Jan 110.60-10.35, Mar 113.45-3.25, May 115.65-5.75, July 117.40, Sept 101.50-1.40, Nov 103.60. Sales: 189 lots of 100 tonnes. Barley: Nov 109.20-9.00, Jan 111.60-1.35, Mar 113.75-3.60, May 114.50. Sept and Nov untraded. Sales: 45 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Dec 108.25, Jan 109.75, Feb 111.00. US no 2 soft red winter Jan 109.50, Feb 111.25. French 11½-12 per cent Dec 140.50. English feed fob Nov 111.50 seller, Dec 112.00/113.00, Feb 115.25/115.50, Jan/Mar 115.50/16.00 buyer/seller, April/June 118.50 seller east coast. Maize: US no 3 yellow/French transhipment east coast Dec 143.00. Barley: English feed fob July 115.50 buyer English.

HGCA—Locational ex-farm spot prices (including co-responsibility levy of 3.373): Feed barley: Eastern 108.50, E. Mids 110.40, N. East 110.00, Scotland 107.10. The UK monetary coefficient for the week beginning Monday November 24 will change to 1.259.

RUBBER

PHYSICALS—The London market opened sharply lower, attracted no buying interest throughout the day and closed inactive, reports Lewis and Peat. Closing prices (buyers): Spot 63.00p (63.50p); Dec 61.00p (61.75p); Jan 61.25p (62.00p). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 215 (218) and SMR 20 195.5 (198).

FUTURES—Index 649. Dec 628-631, Jan-March 638-641, April-June 648-651, July-Sept 650-654. Sales: 0.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 91.86p per kg lw (−1.17). GB—Sheep 167.64p per kg est dcw (+0.48). GB—Pigs 75.68p per kg lw (−3.40). GB—AAPP 99.69p per kg dw (−0.04).

FUTURES—Live cattle: Nov 98.30, Feb 98.00. Sales 14. Pigs: Feb 96.80. Sales 5.

US MARKETS

THE PRECIOUS METALS lost ground and finished on the lows as technical selling in platinum continued to drag gold and silver values down. Although the data released on the Gross National Product and the housing starts should have been positive for the metals it failed to provide support. Coffee futures traded higher in light trading volume with commission houses providing support in the market. Cocoa futures were under severe pressure as locals continued to sell into the market and the March contract dipped below the $1,920 support level to test lows it had not seen for three weeks. Analysts expect that the pressure will remain on the market, reports Heinhold.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb	Close	High	Low	Prev
Nov	48.55	—	—	48.65
Dec	48.80	49.00	48.75	49.10
Jan	49.00	—	—	49.20
March	49.70	49.85	49.65	49.90
May	50.20	—	—	50.30
July	50.55	—	—	50.66
Sept	50.75	—	—	50.85
Dec	50.85	—	—	50.95
Jan	51.05	—	—	51.15
March	51.15	—	—	51.25

COCOA 10 tonnes, $/tonne	Close	High	Low	Prev
Dec	1867	1880	1855	1881
March	1910	1940	1908	1937
May	1950	1965	1948	1972
July	1986	1986	1972	1998
Sept	1998	2006	1998	2015
Dec	2020	—	—	2036
March	2040	—	—	2056

COFFEE "C" 37,500 lb, cents/lb	Close	High	Low	Prev
Dec	149.50	151.75	147.50	147.68
March	152.14	153.45	150.75	150.88
May	153.26	154.20	151.75	152.25
July	154.39	155.00	153.50	152.75
Sept	154.83	155.50	154.10	154.38
Dec	155.25	156.50	153.00	155.00

COPPER 25,000 lb, cents/lb	Close	High	Low	Prev
Nov	59.00	—	—	58.35
Dec	59.10	59.25	58.25	58.45
Jan	59.30	—	—	58.65
March	59.85	60.10	59.00	59.20
May	60.40	60.60	59.70	59.80
July	60.75	60.90	—	60.20
Sept	61.05	61.00	60.80	60.50
Dec	61.60	61.55	61.15	61.10
Jan	61.75	—	—	61.25
March	62.10	61.90	61.90	61.60

COTTON 50,000 lb, cents/lb	Close	High	Low	Prev
Dec	47.75	47.90	47.01	47.87
March	48.07	48.28	47.40	48.26
May	48.23	48.35	47.80	48.32
July	48.40	48.55	48.05	48.60
Oct	48.41	50.08	49.50	49.75
Dec	49.92	50.40	49.80	50.25
March	50.50	—	—	50.50
May	51.00	—	—	50.60

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel	Latest	High	Low	Prev
Dec	15.51	15.67	15.50	15.59
Jan	15.65	15.80	15.64	15.67
Feb	15.62	15.76	15.58	15.63
March	15.54	15.65	15.47	15.53
April	15.51	15.60	15.40	15.47
May	15.45	15.55	15.40	15.42
June	15.42	15.50	15.37	15.38
July	15.40	15.48	15.40	15.34
August	15.48	—	—	15.30

GOLD 100 troy oz, $/troy oz	Close	High	Low	Prev
Nov	387.9	—	—	384.0
Dec	388.5	395.1	388.4	384.5
Jan	390.3	395.0	390.2	386.2
Feb	392.1	398.5	390.0	388.0
April	395.2	401.5	393.0	401.1
June	398.4	404.3	396.0	404.3
August	401.8	407.8	—	407.7
Oct	405.2	—	—	411.1
Dec	408.9	414.8	407.5	414.8
Feb	412.9	419.3	414.9	418.8
June	421.2	425.0	418.0	427.1

HEATING OIL 42,000 US gallons, cents/US gallons	Latest	High	Low	Prev
Dec	44.35	44.70	44.05	44.41
Jan	45.45	45.80	45.25	45.59
Feb	46.20	46.65	46.05	46.50
March	44.60	44.90	44.40	44.80
April	42.95	43.10	42.95	42.95
May	41.40	41.69	41.20	41.80
June	40.90	40.90	40.90	40.90
July	41.20	41.20	41.20	40.90
August	42.25	—	—	41.45
Sept	43.25	43.25	43.25	42.45

ORANGE JUICE 15,000 lb, cents/lb	Close	High	Low	Prev
Jan	123.15	123.50	122.60	123.00
March	123.00	123.45	122.70	123.05
May	123.10	123.50	123.00	123.20
July	122.75	123.00	122.70	122.70
Sept	122.50	122.50	122.50	122.35
Jan	122.45	122.50	122.50	122.35

PLATINUM 50 troy oz, $/troy oz	Close	High	Low	Prev
Nov	469.4	468.1	464.6	463.7
Dec	471.9	—	—	467.2
Jan	471.9	486.5	461.0	467.2
April	474.9	488.0	465.0	468.2
July	478.8	502.0	470.0	504.0
Jan	487.1	511.0	506.5	512.5

SILVER 5,000 troy oz, cents/troy oz	Close	High	Low	Prev
Nov	546.0	—	—	555.5
Dec	547.0	559.0	544.0	556.5
Jan	549.8	557.0	557.0	559.3
March	554.9	568.5	551.5	564.4
May	560.2	570.0	556.0	569.7
July	565.8	576.0	562.0	575.3
Sept	571.7	582.0	573.0	581.2
Dec	580.7	594.0	577.0	590.2
Jan	583.5	—	—	593.4
March	590.2	—	590.0	599.7

SUGAR WORLD "11" 112,000 lb, cents/lb	Close	High	Low	Prev
Jan	6.10	6.23	6.23	6.18
March	6.56	6.80	6.53	6.68
May	6.64	6.91	6.62	6.82
July	6.75	7.01	6.75	6.96
Sept	6.83	7.05	7.05	7.03
Oct	6.94	7.17	6.93	7.11
Jan	7.19	—	—	7.36

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb	Close	High	Low	Prev
Dec	61.42	61.80	61.25	61.00
Feb	58.67	59.00	58.42	58.22
April	58.85	59.12	58.70	58.65
June	57.82	58.00	57.65	57.65
August	56.55	56.70	56.35	56.40

LIVE HOGS 30,000 lb, cents/lb	Close	High	Low	Prev
Dec	54.70	55.30	54.30	54.52
Feb	51.40	51.95	50.95	50.90
April	45.17	45.50	44.60	44.55
June	47.20	47.40	46.80	46.42
July	46.90	47.00	46.15	46.20
August	44.72	45.30	44.60	44.42
Oct	41.75	41.75	41.60	41.50
Dec	42.20	42.20	42.20	41.85

MAIZE 5,000 bu min, cents/56-lb bushel	Close	High	Low	Prev
Dec	168.6	169.0	166.4	167.6
March	178.6	179.6	177.4	178.2
May	184.6	184.6	183.6	184.2
July	187.2	187.4	186.2	187.0
Sept	188.0	189.4	188.0	188.2
Dec	191.4	192.6	191.4	192.4
March	199.2	199.6	199.0	199.6

PORK BELLIES 38,000 lb, cents/lb	Close	High	Low	Prev
Feb	71.45	71.85	70.20	69.85
March	70.10	70.75	69.70	68.75
May	69.55	70.07	68.25	68.07
July	67.95	68.97	67.20	67.02
August	65.02	66.40	64.85	64.47

SOYABEANS 5,000 bu min, cents/60-lb bushel	Close	High	Low	Prev
Jan	502.0	502.2	497.4	497.4
March	504.2	504.2	501.0	501.2
May	506.0	506.4	503.4	504.4
July	508.4	509.4	505.4	507.2
August	505.4	506.0	504.0	504.4
Sept	496.0	497.4	495.0	495.0
Nov	496.0	498.4	495.0	497.6
Jan	505.0	505.0	505.0	505.6

SOYABEAN MEAL 100 tons, $/ton	Close	High	Low	Prev
Dec	149.2	149.9	148.8	149.5
Jan	149.0	149.6	148.8	149.2
March	148.9	149.6	148.9	149.2
May	149.2	149.7	149.0	149.4
July	149.2	149.7	149.1	149.3
August	149.4	149.7	149.0	149.6
Sept	148.4	149.4	148.4	149.5
Oct	148.3	149.2	148.0	149.0
Dec	148.7	150.0	148.5	149.2

SOYABEAN OIL 60,000 lb, cents/lb	Close	High	Low	Prev
Dec	14.92	14.94	14.77	14.77
Jan	15.10	15.12	14.96	14.95
March	15.37	15.42	15.24	15.24
May	15.62	15.66	15.50	15.48
July	15.81	15.82	15.67	15.70
August	15.86	15.85	15.70	15.75
Sept	15.71	15.80	15.65	15.70
Oct	15.85	15.85	15.66	15.80
Dec	16.00	16.00	15.85	15.90
Jan	16.05	16.00	16.10	15.90

WHEAT 5,000 bu min, cents/60-lb bushel	Close	High	Low	Prev
Dec	285.6	287.2	284.0	286.4
March	272.4	274.4	271.6	274.0
May	258.4	260.0	257.6	259.2
July	247.0	248.0	246.2	248.6
Sept	247.0	—	—	246.4
Dec	255.0	255.0	255.0	253.0

SPOT PRICES—Chicago loose lard 13.50 (13.00) cents per pound. Handy and Harman silver bullion 554.5 (same) cents per troy ounce.

OIL

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Dec.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	14.25-14.35	+0.20
Brent Blend	15.35-15.40	+0.175
W.T.I. (1pm est)	15.60-15.65	+0.075
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	146-150	-1
Gas Oil	126-128	+1
Heavy fuel oil	76-78	-1
Naphtha	128-130	-2

In the petroleum products market prompt gas oil was firm. Fuel oil was slightly weaker in thin trade. Gasoline and naphtha were quiet and weak. December Dubai traded around $14.25. Dated North Sea crudes remained firm. 15-day Brent traded thinly but prices were firm. December WTI opened 4c down on Nymex and traded 1c up at 1.30 pm EST — Petroleum Argus, London.

GAS OIL FUTURES

Month	Yest'rdy's close	+ or −	Business Done
	US $ per tonne		
Dec	130.75	+0.50	131.50-29.75
Jan	134.50	+0.25	135.75-32.75
Feb	136.50	+0.75	137.00-34.00
Mar	131.25	-0.25	132.00-29.00
Apr	128.50	-0.75	129.50-27.00
May	127.50	-0.25	127.50

Turnover: 4,992 (1,930) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close	+ or −	Business Done
	US $ per tonne		
Dec	78.00	-2.00	78.00-77.50
Jan	78.50	-4.00	80.00-78.25
Feb	81.00	—	81.00

Turnover: 260 (1) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $150.50 (£106.00), up $3.00 (up £2.50) a tonne for December-January delivery. White sugar $180.00, unchanged.

No. 6 Contract	Yest'rdy 7.10 pm	Previous close	Business done
	$ per tonne		
Dec	134.8-135.0	132.2-137.0	137.6
Mar	148.4-148.8	150.0-150.2	152.2-148.4
May	149.4-149.8	153.0-153.4	155.0-149.2
Aug	152.4-153.4	156.0-156.2	—
Oct	155.4-156.0	159.0-159.2	160.4-155.0
Dec	158.0-161.0	162.0-164.4	—
Mar	168.2-168.4	171.8-172.0	171.8

Sales: 1,694 (8,535) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £208.00 (£206.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for November 18: Daily price 5.86 (5.77); 15-day average 5.96 (same).

LEADED GASOLINE

Month	Yest'rdy's close	+ or −	Business Done
Dec	151.00	—	—
Jan	854.00	—	154.00
Feb	—	—	—

Turnover: 5 (0) lots of 100 tonnes.

FREIGHT FUTURES

The market dipped on confirmation of lower physical fixtures. Profit-taking was evident at the lower levels, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Jan.	722/725	726/720	727.5/728
April	756/750	750/752	762/763
July	668/669	674/668	675/676
Oct.	755/757	762/761.5	765/770
Jan.	760/770	—	772/775
Apr.	868/884	—	860/890
July	750/744	—	745/760
Oct.	840/890	—	840/900
BFI.	774.5		777.5

Turnover: 270 (273).

	Close	High/Low	Prev.
Tankers			
Nov.	980	—	880/910
Dec.	1055/1150	—	1050/1085
Jan.	1042/1058	—	1050/1075
Mar.	1120	—	1050/1090
BTI.	928.6		910.5

Turnover: 0 (10).

Electrical work guaranteed

THE Electrical Contractors' Association has announced a customer guarantee of £50,000 valid for five years. The association claims its move is the widest measure of consumer protection ever introduced by a trade body.

The guarantee applies automatically to all work carried out by association members and is free to both contractor and customer. It means that, in the event of poor workmanship, the job will be put right

Barclays to close stationery section

BARCLAYS BANK is to close its stationery department in Birkenhead on the Wirral, Merseyside, by the end of next year, with the loss of 42 jobs.

Staff over 55 will take early retirement, others will be offered posts at Bletchley, Bucks, and the remainder will be covered by a redundancy scheme.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

GNP rise fails to lift dollar

FEARS OF sluggish growth in the US economy were not dispelled by the upward revision in third quarter US gross national product growth. Dealers had been expecting an upward revision to about 2.5 per cent to 3.0 per cent, from the earlier figure of 2.4 per cent, and were therefore not disappointed in the result of 2.9 per cent. But market sources pointed out that high car sales during the period, because of low cost finance incentives, had led to expectations of a fairly strong GNP figure, and that the main reasons for the rise in the revised figure were larger than forecast Federal Government purchases and higher residential investment.

Doubts about the strength of the US economy were underlined by the fall of 0.2 per cent in October US housing starts.

This increased fears that the present performance of the economy is disappointing and that too much notice should not be taken of the third quarter GNP revision.

Against this background dealers suggested that the dollar would soon make a further test of the DM 2.00 level. Trading against the D-mark was fairly quiet yesterday, with Frankfurt closed for a public holiday.

The dollar fell to DM 2.0075 from DM 2.0125; to FFr 6.5750 from FFr 6.59; to SFr 1.6705 from SFr 1.6740; and to Y162.40 from Y162.70.

On Bank of England figures the dollar's index fell to 110.9 from 111.2.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3700. October average 1.4270. Exchange rate index fell 0.2 to 68.0, compared with 76.1 six months ago.

Sterling weakened in subdued foreign exchange trading. The decline followed the comments made by Mrs Margaret Thatcher, the Prime Minister, when she ruled out early UK membership of the European Monetary System. Mrs Thatcher's apparent determination to keep the pound out of the EMS at least until after the next General Election underlined the previous reservations stated by the Prime Minister about the possible problems of keeping sterling pegged to the strong D-mark, but still appeared to disappoint the market. A forecast by the International Energy Agency of slowly rising oil demand for the period up to 2000, and generally firm North Sea oil prices yesterday, failed to reverse the pound's decline in early trading, but the currency tended to stabilise around mid-morning and then showed only a gentle fall.

Sterling lost 55 points to $1.4175-$1.4185 and fell to DM 2.8475 from DM 2.8650; to FFr 9.3225 from FFr 9.38; to SFr 2.3675 from SFr 2.3825; and to Y230.25 from Y231.50.

JAPANESE YEN—Trading range against the dollar in 986 is 20.70 to 152.35. October average 156.36. Exchange rate index 203.4 against 204.3 six months ago.

The yen showed little change against the dollar in quiet Tokyo trading. Traders were reluctant to take out positions ahead of revised US third quarter GNP data, although dealers generally believed an upward revision was likely, but that a downward revision was likely to be taken as a reason to sell the dollar, since it would tend to confirm recent signs of sluggish growth in the US economy. On the other hand buying of foreign bonds by Japanese investors was regarded as a limiting factor on any dollar decline. The dollar closed at Y162.80 in Tokyo, compared with Y162.65 on Tuesday, and Y162.75 overnight in New York.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1159	43.2781	+0.38	+0.57	±1.5368
Danish Krone	7.81701	7.86508	+0.61	+0.80	±1.6403
German D-Mark	2.11083	2.08227	−1.35	−1.16	±1.1127
French Franc	6.87316	6.81775	−0.81	−0.62	±1.3659
Dutch Guilder	2.37833	2.35167	−1.12	−0.93	±1.5059
Irish Punt	0.764976	0.764054	−0.12	+0.07	±1.6683
Italian Lira	1476.95	1441.83	−2.38	−1.98	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 19	Latest	Previous Close
£ Spot	1.4165-1.4175	1.4220-1.4230
1 month	0.56-0.53 pm	0.60-0.59 pm
3 months	1.79-1.74 pm	1.80-1.75 pm
12 months	6.35-6.25 pm	6.50-6.42 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Nov. 19	Previous
8.30 am	68.2	68.2
9.00 am	68.2	68.2
10.00 am	67.9	68.2
11.00 am	67.9	68.3
Noon	67.9	68.3
1.00 pm	68.0	68.3
2.00 pm	67.9	68.3
3.00 pm	68.0	68.2
4.00 pm	68.0	68.2

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

POUND SPOT—FORWARD AGAINST THE POUND

Nov. 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4125-1.4255	1.4175-1.4185	0.59-0.56c pm	4.87	1.84-1.79 pm	5.12
Canada	1.9550-1.9700	1.9620-1.9630	0.50-0.40c pm	2.75	1.47-1.32 pm	2.84
Netherlands	3.20½-3.24	3.20½-3.22½	1½-1¼c pm	5.37	4⅝-4⅛ pm	5.69
Belgium	59.10-59.62	59.10-59.20	21-16c pm	3.75	59-51 pm	3.72
Denmark	10.75-10.83½	10.75-10.76	1⅞-⅝ore par	1.12	2⅛-1½ pm	0.70
Ireland	1.0434-1.0499	1.0460-1.0470	0.27-0.50p dis	−4.41	0.76-1.06 dis	−3.48
W. Germany	2.84¼-2.86¼	2.84¼-2.85¼	1⅝-1½pf pm	6.32	4⅝-4½ pm	6.50
Portugal	210.60-212.25	211.22-212.08	76-136c dis	−5.43	210-232 dis	−4.17
Spain	191.75-193.02	191.75-192.05	9-46c dis	−1.72	25-115 dis	−1.46
Italy	1968-1987¼	1968½-1969½	2-par lire pm	0.61	5-2 pm	0.71
Norway	10.69½-10.73¾	10.69½-10.70½	3½-4¼ore dis	−4.35	9¾-10½ dis	−3.79
France	9.30¾-9.38¼	9.31¾-9.32¾	2¾-2¼c pm	3.22	7¼-7pm	3.16
Sweden	9.83¾-9.89¼	9.83¾-9.84¾	1⅝-1 ore pm	1.60	4½-3⅞pm	1.70
Japan	229¾-230¾	229¾-230¾	1⅞-1¾y pm	6.51	4-3¾ pm	6.73
Austria	20.08-20.20	20.03-20.06	10-8⅞gro pm	5.65	29-25¼ pm	5.41
Switzerland	2.36¼-2.38¾	2.36¼-2.37¼	1¾-1½ c pm	8.24	4½-4¼ pm	7.39

Belgian rate is for convertible francs. Financial franc 59.50-59.60. Six-month forward dollar 3.56-3.51 c pm. 12-month 6.57-6.47 c pm

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Nov. 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4125-1.4255	1.4175-1.4185	0.59-0.56c pm	4.87	1.84-1.79 pm	5.12
Ireland†	1.3505-1.3592	1.3580-1.3590	1.10-0.80c pm	8.42	3.00-2.50 pm	8.12
Canada	1.3819-1.3840	1.3830-1.3840	0.23-0.26c dis	−2.13	0.77-0.82 dis	−2.30
Netherlands	2.2630-2.2780	2.2635-2.2645	0.10-0.08c pm	0.47	0.34-0.30pm	0.56
Belgium	41.65-42.00	41.65-41.75	3-5c dis	−1.15	13-17 dis	1.43
Denmark	7.57¼-7.61¾	7.58¼-7.58¾	1.70-2.20ore dis	−3.08	6.60-7.30 dis	−3.60
W. Germany	2.0025-2.0165	2.0070-2.0080	0.27-0.24pf pm	1.52	0.74-0.69 pm	1.42

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts fall in record volume

GILT PRICES fell sharply in the London International Financial Futures Exchanges yesterday. Trading volume totalled more than 26,000 lots, breaking the previous record of 23,645 traded on November 13. Prices opened little changed but selling soon accelerated in the face of a weaker pound and a lower US bond price. With sterling continuing its decline, the December gilt price broke through an important 107-00 support level which triggered further stop loss selling down t a record low of 106-06.

Profit taking and a better tone in the US bond market helped values recover to close at 106-14, still well down from an opening level of 107-21 and Tuesday's close of 107-21 and Tuesday's close of 107-23. There was no clear reason why gilt prices declined so sharply. However dealers stressed that recent comments about the timing of the next general election left investors uncertain simply because of nervousness caused by which major political party will win.

Yesterday's volume in gilts was around £1.8bn with the number of lots traded representing a 12 per cent increase on the previous record.

Mr Michael Jekins, chief executive of Liffe said that the consistently high volume, culminating in yesterday's record, demonstrated the importance of the Liffe contract in the development of the new gilt edged market.

Short sterling prices were confirmed to a narrow range with three-month sterling deposits opening at 88.68 for December delivery and trading between a high of 88.70 and a low of 88.57 before closing at 88.67. While sentiment remained far from bullish, there appeared to be little chance of a sell-off until the prospect of another rise in base rates gained substance.

US bond prices were little affected by an upward revision in US third quarter GNP and seemed more concerned with a fall in US housing starts. Consequently the December price reflected another attempt to push through the 99-16 level with the price finishing at 99-04 up from 98.24 at the opening.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
106	0.41	2.43	0.13	2.03
108	0.01	1.47	1.37	3.07
110	0.00	1.04	3.36	4.28
112	0.00	0.39	5.36	5.63
114	0.00	0.21	7.36	7.45
116	0.00	0.11	9.36	9.35
118	0.00	0.05	11.36	11.29
120	0.00	0.02	13.36	13.26

Estimated volume total, Calls 818 Puts 686
Previous day's open int, Calls 25,356 Puts 8,537

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last March	Calls—Last June	Puts—Last March	Puts—Last June
88	10.30	—	0.08	—
90	8.40	8.21	0.18	0.57
92	6.57	6.52	0.35	1.24
94	5.20	5.29	0.62	2.01
96	3.60	4.17	1.38	2.55
98	2.52	3.17	2.30	3.53
100	1.38	2.28	3.36	5.00
102	1.16	1.50	4.58	6.22

Estimated volume total, Calls 16 Puts 37
Previous day's open int, Calls 231 Puts 242

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Nov.	Calls—Last Dec.	Puts—Last Nov.	Puts—Last Dec.
15500	—	6.63	—	0.93
15750	3.29	4.84	0.09	1.64
16000	1.32	3.35	0.62	2.65
16250	0.30	2.20	2.10	4.00
16500	0.03	1.36	4.33	5.66
16750	0.00	0.79	6.80	7.59
17000	0.00	0.43	9.30	9.73
17250	0.00	0.22	11.80	12.02

Estimated volume total, Calls 34, Puts 71
Previous day's open int, Calls 563, Puts 537

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

CURRENCY FUTURES

IMM—STERLING $s per £

	Close	High	Low	Prev
Dec.	1.4185	1.4190	1.4100	1.4175
Mar.	1.4015	0	1.3900	1.4000
June	1.3850	1.3850	1.3720	1.3830

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec.	1.4172	1.4120	1.4110	1.4190
Mar.	1.3995	—	—	1.4013
June	1.3825	—	—	1.3850

Estimated volume 5 (0)
Previous day's open int 1,551 (1,551)

EUROPEAN OPTIONS EXCHANGE

Series	Price	Vol.	Last	Vol.	Last	Vol.	Last	Stock
HOOG C	Fl.50	315	3.50	50	5.50	65	7	Fl.49.60
HOOG P	Fl.50	929	3.50	202	5	48	6	"
KLM C	Fl.45	102	2.10	1	4.30A	—	—	Fl.45.40
KLM P	Fl.45	122	1.50	3	2.80A	—	—	
NATN C	Fl.70	—	—	—	—	102	12.50	Fl.78.20
NATN P	Fl.80	60	3.50	—	—	—	—	"
PHIL C	Fl.45	308	1.90	102	3.50	53	4.10	Fl.44.10
PHIL P	Fl.50	47	7	155	7.50	4	8.30	"
RD C	Fl.210	715	4.40	322	9.50	11	10.10	Fl.205.10
RD P	Fl.200	751	3	76	5.10	161	9	"
UNIL C	Fl.500	496	15.50B	142	28.50	—	—	Fl.491.50
UNIL P	Fl.480	409	7.60	85	14.30	11	25	"

TOTAL VOLUME IN CONTRACTS: 25,291

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	11	Citibank NA	11	● Morgan Grenfell	11
Adam & Company	11	Citibank Savings	¶12.45	Mat Credit Corp. Ltd.	11
Allied Arab Bk Ltd.	11	City Merchants Bank	11	Nat Bk. of Kuwait	11
Allied Dunbar & Co.	11	Clydesdale Bank	11	National Girobank	11
Allied Irish Bank	11	Comm. Bk. N. East	11	Nat Westminster	11
American Exp. Bk.	11	Consolidated Cred.	11	Northern Bank Ltd.	11
Amro Bank	11	Co-operative Bank	*11	Norwich Gen. Trust	11
Henry Ansbacher	11	Cyprus Popular Bk.	11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Duncan Lawrie	11	Provincial Trust Ltd.	12
Associates Cap Corp.	11	E. T. Trust	12	R. Raphael & Sons	11
Banco de Bilbao	11	Equator'l Tst C'p plc	11	Roxburghe G'rantee	11½
Bank Hapoalim	11	Exeter Trust Ltd.	11½	Royal Bk of Scotland	11
Bank Leumi (UK)	11	Financial & Gen. Sec.	11	Royal Trust Bank	11
Bank Credit & Comm.	11	First Nat. Fin. Corp.	12	Standard Chartered	11
Bank of Cyprus	11	First Nat. Sec. Ltd.	12	Trustee Savings Bnk.	11
Bank of Ireland	11	● Robert Fleming & Co	11	UDT Mortgage Exp.	¶12.25
Bank of India	11	Robert Fraser & Ptrs	12	United Bk of Kuwait	11
Bank of Scotland	11	Grindlays Bank	‡11	United Mizrahi Bank	11
Banque Belge Ltd.	11	● Guinness Mahon	11	Westpac B'nking Corp	11
Barclays Bank	11	HFC Trust & Savings	11	Whiteaway Laidlaw	11½
Benchmark Tst Ltd	11	● Hambros Bank	11	Yorkshire Bank	11
Beneficial Trust Ltd.	12	Heritable & Gen. Tst.	11		
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
● Brown Shipley	11	Hongkong & Shangh'	11		
CL Bank Nederland	11	Knowsley & Co. Ltd	11½		
Canada Permanent	11	Lloyds Bank	11		
Cayzer Ltd	11	Mase Westpac Ltd.	11		
Cedar Holdings	12	Meghraj & Sons Ltd.	11		
● Charterhouse Bank	11	Midland Bank	11		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

MONEY MARKETS

UK rates higher on weak pound

INTEREST RATES were higher in London yesterday in reaction to a further weakening in the value of sterling. Conditions in the money market were fairly relaxed with the Bank of England giving more assistance than the published forecast. However there appeared to be some concern that poor economic data may depress sterling and so put upward pressure on domestic interest rates.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a shortage of £350m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £320m and a rise in the note circulation of £110m.

Three-month interbank money was quoted at 11$\frac{5}{16}$-11$\frac{3}{16}$ per cent compared with 11¼-11$\frac{3}{16}$ per cent on Tuesday. Short term rates appeared to be more relaxed to start with. Overnight interbank money opened around 10½ per cent and eased to a low of 8 per cent early in the afternoon before late demand pushed rates up to a high of 12 per cent.

These were partly offset by Exchequer transactions adding £25m and banks' balances brought forward £80m above target. The Bank gave assistance in the morning of £263m through outright purchase of £18m of Treasury bills and £245m of eligible bank bills all in band 4 at 10$\frac{11}{16}$ per cent.

In the afternoon the Bank gave additional help of £75m through outright purchases of eligible bank bills in band 4 at 10$\frac{11}{16}$ per cent. Late help came to £70m, making a total of £408m.

In Amsterdam interest rates were lower for short term money, following the injection of Fl 1.88bn of special advances at 7 per cent for one day. The authorities had already provided extra help of Fl 1.6bn through seven day loans at 5.6 per cent and as a result call money eased to below 7 per cent to 6½-6¾ per cent.

In Frankfurt markets were closed for a public holiday. Today sees the injection of DM 3.5bn of extra liquidity through the Bundesbank's latest sale and repurchase facility. Trading is likely to be subdued however with traders not expecting any change in credit policies or interest rates after a meeting of the Bundesbank central council.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov. 19) 3 months U.S. dollars		6 months U.S. dollars	
bid 6	Offer 6⅛	bid 6	Offer 6⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	7-7¼
Fed. funds	5⅞
Fed. funds at intervention	6⅝

Treasury Bills and Bonds			
One month	5.02	Three year	6.44
Two month	5.35	Four year	6.64
Three month	5.48	Five year	6.75
Six month	5.63	Seven year	7.03
One year	5.76	10 year	7.20
Two year	6.27	30 year	7.47

Nov. 19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.35-4.45	4.45-4.60	4.60-4.75	4.60-4.75	4.60-4.75	5.5
Paris	7⅛	7$\frac{1}{16}$-7$\frac{3}{16}$	7$\frac{1}{16}$-7$\frac{3}{16}$	7½-7⅝	7$\frac{9}{16}$-7$\frac{11}{16}$	7
Zurich	⅞-1⅛	2¾-3⅛	—	3¾-4	—	—
Amsterdam	6½-6¾	5$\frac{7}{16}$-5$\frac{11}{16}$	—	5½-5⅝	—	—
Tokyo	3.71875	4.40625	—	4.34375	—	—
Milan	10¾-11⅛	10⅞-11⅛	—	11-11½	—	—
Brussels	5.45	7⅛-7¼	—	7$\frac{1}{16}$-7$\frac{3}{16}$	—	—
Dublin	11-12	13½-13¾	13⅝-13⅞	13⅞-14⅛	13½-13¾	—

LONDON MONEY RATES

Nov. 19	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	12-8	10½-10¼	10$\frac{11}{16}$-10$\frac{13}{16}$	11$\frac{5}{16}$-11$\frac{3}{16}$	11$\frac{5}{16}$-11$\frac{3}{16}$	11$\frac{5}{16}$-11$\frac{3}{16}$
Sterling CDs.	—	—	10⅞-10¾	11¼-11⅛	11$\frac{3}{16}$-11⅛	11¼-11
Local Authority Deposits	10-9⅞	10½-10⅜	10$\frac{13}{16}$	11$\frac{3}{16}$	11$\frac{5}{16}$-11¼	11¼-11$\frac{3}{16}$
Local Authority Bonds	—	—	11⅛	11$\frac{3}{16}$	11⅜	11⅝
Discount Market Deposits	11-8	10¼	10⅝	10¾	—	—
Company Deposits	10	11	11¼	11¼	11¼	11¼
Finance House Deposits	—	—	10⅞	11¼	11¼	11¼
Treasury Bills (Buy)	—	—	10¾	10$\frac{11}{16}$	—	—
Bank Bills (Buy)	—	—	10$\frac{11}{16}$-10$\frac{13}{16}$	10$\frac{13}{16}$	10$\frac{13}{16}$-10¾	—
Fine Trade Bills (Buy)	—	—	11$\frac{1}{16}$	11$\frac{1}{16}$	11⅛	—
Dollar CDs	—	—	6.05-6.00	5.95-5.90	5.95-5.90	6.10-6.05
SDR Linked Deposits	—	—	6¼-6	6$\frac{5}{16}$-6$\frac{3}{16}$	6$\frac{7}{16}$-6$\frac{5}{16}$	6$\frac{7}{16}$-6$\frac{5}{16}$
ECU Linked Deposits	—	—	7⅜-7¼	7$\frac{5}{16}$-7$\frac{3}{16}$	7$\frac{5}{16}$-7$\frac{3}{16}$	7$\frac{5}{16}$-7$\frac{3}{16}$

Treasury Bills (sell); one-month 10⅝ per cent; three-months 10$\frac{9}{16}$ per cent; Bank Bills (sell); one-month 10⅝-10$\frac{11}{16}$ per cent; three months 10$\frac{11}{16}$ per cent; Treasury Bills; Average tender rate of discount 10.6388 p.c. ECGD Fixed Finance Scheme IV reference date October 8 to 31 (inclusive): 11.237 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from November 1, 1986: Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10¾ per cent; one-three months 11 per cent; three-six months 11¼ per cent; six-nine months 11¼ per cent; nine-12 months 11¼ per cent; Under £100,000 10¾ per cent from November 14. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5½ per cent.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

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BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

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DRAPERY AND STORES

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ENGINEERING—Continued

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INDUSTRIALS—Continued

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O.F.S.

Diamond and Platinum

Central African

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Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 42
(International Edition Page 36)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Nov 10	Nov 20	Nov 21	Dec 1
Nov 24	Dec 4	Dec 5	Dec 15
Dec 8	Dec 18	Dec 19	Jan 5

* New time dealings may take place from 9.00 am two business days earlier.

Wall Street setback brings losses in share prices and falling pound weakens Gilts

The setback on Wall Street, prompted by the latest developments in the Boesky insider trading case, brought another nervous fall in London's equity market yesterday. Weakness in gilt-edged also took a toll of share prices, but it was the uncertainty over the New York market which proved the strongest factor. After falling by more than 20 FT index points, London steadied towards the close when Wall Street held firm in early trading.

While turnover remained moderate overall, there was increased selling of some of the international stocks, on fears that the Boesky inquiries might involve other international arbitrageurs, and bring forced selling of equities.

The international dealers had a busy morning, before Wall Street opened. US speculative stocks to feel pressure included Gillette and Lear Siegler, which both extended the losses suffered on Wall Street.

Beecham, with results due today (Thursday) managed to hold steady, against the trend. But there were renewed falls in Imperial Chemical Industries, Glaxo and BAT Industries.

Oil stocks were also weak, although prices staged a minor rally after Iran was reported to have called for Opec to establish a $20 a barrel price for oil.

The FT-SE 100 Index, 21 points off ahead of Wall Street's opening, ended a net 13.2 lower at 1604.3, while the FT Ordinary Index at 1258.8 was finally 12.8 lower. The SEAQ electronic system was out of action for 25 minutes at mid-session.

There was also selling pressure on the speculative issues, as the clouds darkened over the takeover sector. Buyers withdrew from these stocks while awaiting the next developments in the insider trading cases on both sides of the Atlantic.

The gilt-edged market suffered a bout of retail selling as the pound sterling slid lower against the German mark. Once again, the downward push came from the LIFFE gilts futures sector, and traders were dismayed to see both the low of the December futures contract and the 11 per cent yield on long Treasries pierced without hesitation in early trading. The FT Government securities index dipped 0.56 to 80.76.

Losses in the longer-dates ranged to nearly 1½ points, with no recovery before the close, bringing prices to new lows for the year. However, index-linked gilts added ¼ as inflation fears revived. Nervousness over the pound outweighed the market's satisfaction with the UK Gross Domestic Product statistics, published yesterday.

Midland lower Midland came on offer following reports of uninspiring notices from a seminar hosted by brokers James Capel and ended the session 8 down at 557p. Other clearers drifted lower for want of support with NatWest 6 easier at 494p. Elsewhere, Morgan Grenfell fell 10 more for a two-day reaction of 24 at 408p as rumours persisted of a possible merger with Exco. Mercury International, at 409p, lost 2 of Tuesday's gain of 21 which followed Mr Saul Steinberg's purchase of a further 3½m shares which increased his stake to nearly 13 per cent. Brown Shipley touched 603p before closing unaltered at 598p ahead of today's interim results; it was announced yesterday that the UK Temperance and General Provident Institution had reduced its stake in the company to 6.45 per cent. Leopold Joseph fell 10 at 488p and Goode Durrant and Murray relinquished 4 at 168p.

Equity and Law remained an isolated resilient performer among Insurances, rising afresh to 303p before closing a penny easier on balance at 296p following the announcement that Mr Ron Brierley's IEP Securities has acquired a 6.1 per cent stake in the company. Elsewhere, C. E. Heath fell 9 afresh at 474p, while unwelcome suitors PWS International closed unaltered at 289p.

Both market newcomers staged highly satisfactory debuts. Property group London and Metropolitan opened at 169p and closed at 165p compared with the offer price of 145p, while office furniture suppliers Gordon Russell, placed at 190p, advanced from an opening level of 203p to close at 207p.

Early interest in Breweries centred on Whitbread; interim profits, which fell at the top end of expectations, were nevertheless received with a lack of enthusiasm in certain quarters and the shares, relatively firm of late, dipped 10 to 260p as analysts expressed caution over the company as a short-term investment. Greenwell Montagu, for example, continues to prefer Allied-Lyons or Bass. The latter enjoyed a reasonably lively turnover before settling 3 cheaper at 729p; the annual results are scheduled for December 4, with brokers currently forecasting pre-tax profits around the £305m level.

Losses among the Building leaders were fairly modest with the exception of George Wimpey which lacked support and shed 8 to 178½p for a two-day fall of 13. Barratt Developments were 2 cheaper at 148p awaiting news from the annual meeting, while Taylor Woodrow softened 4 to 285p. RMC encountered scrappy selling at 643p, down 9, but Blue Circle were virtually unscathed; underpinned by traded option activity the price was just 3 cheaper on balance at 627p. Buyers returned for Helical Bar, up 11 at 481p, while Derek Crouch gained 5 more to 198p awaiting news of the bid approach.

Stores down

Fears that any further weakness in sterling could again lead to higher interest rates unsettled leading Stores. Burton closed 7 down at 258p ahead of today's preliminary figures, while similar falls were sustained by Next, anr Storehouse, 292½p. Laura Ashley lost 6 at 181p. Dixons relinquished 5 at 319p and Marks and Spencer declined a few pence at 188p. Sears continued to reflect fading take-over hopes with a fall of 2½ at 121½p. Among irregular secodary issues, Blacks Leisure hardened 1½ to 8¼p following revived speculative buying and J. W. Wassall gained 15 to 93p for the same reason. Ratners dipped 6 to 237½p and Freemans gave up 8 at 408p after profit-taking. Share Drug lost 10 more at 265p on further consideration of the recent disappointing preliminary figures.

Apart from Cable and Wireless which gained 7 to 310p in anticipation of today's interim figures, Electrial majors gave ground with the general trend. Thorn EMI came on offer at 465p, down 5, while Racal softened 5 at 166p as did BICC at 269p. GEC, despite news of a $72m US cockpit display order, gave up 4 at 176p and Plessey declined 3 at 167p. Elsewhere, MK dropped 13 more a two-day decline of 31 at 355p after comment on the interim figures. International Signal and Control, however, rose 3 to 252p in response to the bumper half-year figures and United Scientific adged forward a penny to 154p, after 157p, with sentiment here helped by news of a subsidiary's £17m warrior contract.

Leading Engineers followed the general trend, with quotations closing above the day's worst. Hawker, which announced the acquisition of A and M Instrument for £5.5m cash yesterday, finished 6 cheaper at 411p. Elsewhere, further consideration of the US acquisition and th vendor placing of 1.6m shares at 580p prompted a fall of 12 to 560p in Staveley. Goodwin reacted to 58p in response to the company's statement regarding a recent newsletter recommendation. B. Elliott gave further ground at 68p, down 5, after the interim statement.

The food sector displayed several noteworthy movements. Ranks Hovis McDougall put on 4½ to 266½ after revealing annual profits some £7m above best market estimates, but Avana plunged 32 to 504p following poor interim figures and a cautious statement. S & W. Berisford moved ahead late to close 12½ higher at 284½p on speculation about an imminent deal with Ferruzzi concerning its British Sugar subsidiary. Confectionery issues were dull as take-over rumours faded, Cadbury Schweppes losing 5 to 173p and Rowntree Mackintosh 6 to 495p. Hazlewood Foods softened 3 to 150p awaiting today's half-timer. In the Retailing sector, ASDA-MFI attracted a useful two-way business and settled a couple of pence cheaper at 151p. Tesco were finally 4 off at 381p and Kik Save 3 cheaper a 252p.

A firm market on Tuesday amid stake-building rumours, Trusthouse Forte settled 2 cheaper at 171p as a further 5m shares changed hands. Grand Metropolitan shed 3 to 441p and Ladbroke gave up 6 to 363p. Kennedy Brookes lost 10 to 275p following profit-taking in the absence of any bid developments.

Pilkington active

Pilkington came under renewed selling pressure in the initial dealings and reacted afresh to 522p before recovering in extremely active trading to settle a penny lower on the day at 530p. Other leading miscellaneous industrial issues closed above the day's worst. There was another good volume in Hanson Trust (15m) which finished only 3 cheaper at 190½p, while Glaxo closed 3 lower at 889p. Awaiting today's interim figures, Beecham settled 4 up at 431p, but Boots, a relatively lively market, ended 4½ lower at 220p. Elsewhere, Pearson, a recent takeover favourite, gave further ground and closed 10 cheaper at 569p. Barton Transport encountered profit-taking and gave up 50 to 355p in a limited market, but Alumasc featured a gain of 11 at 155p following interim figures. Satisfactory interim figures left Scott Greenham 4 firmer at 151p, while Wyndham rose 7 to 130p on news that Buckmore nominees had acquired a 9.17 per cent stake in the company. Comment on the figures left Metal Box 3 lower at 172p and London International 5½ off at 231p. Renewed offerings prompted a further loss of 8 in Evered, at 188p.

Fresh offerings lowered Lucas Industries to the worst level this year of 433p before a close of 437p, while profit-taking brought Armstrong Equipment back 5 to 127p. Against the trend, a surge of buying interest, mainly from northern brokers, lifted Aerospace Engineering 7 to 77p; a vendor placing was completed recently at a price of 67p. Motor Distributors featured a recovery in Hartwells, 4 higher at 81p, but dullness in Jessups, 4 down at 115p; because of a substantial default by a major lessee the latter group has made a provision of £700,000 in its preliminary accounts, released yesterday.

McCorquodale relieved the gloom in Paper/Printings rising 5 late to 316p. Other first-line stocks were often that amount lower. Elsewhere, USM-listed Gibben Lyons gained 5 to 88p, but selling after Tuesday's good mid-term results brought WCRS back 12 to 528p.

Properties continued to drift easier in the absence of buy ing interest. Land Securities shed 3 more to 327p, while MEPC lost 4 to 334p. Hammerson A gave up 10 at 430p, while Slough Estates, a firm market on Tuesday on talk of a broker's favourable circular, softened 2 at 180p. Profit-taking clipped 10 from recent takeover favourite Marler Estates at 590p, while London and Provincial Shop shed 8 to 275p. Southend Stadium, a firm market of late on property development hopes, relinquished 9 at 268p, while Connells, higher earlier in the week following a broker's circular, gave up 5 at 268p.

A claim that record imports were threatening the fragile recovery in the knitwear industry was an added burden for Textiles. Sector leader Courtaulds came back to 305½p before ending only ½ down on balance at 306p among a host of small losses. Poor first-half results, the company slipped into al oss, lowered John Foster 5 to 70p, while Tomkinsons reacted 4 to 211p ahead of Tuesday's preliminary statement. The prevailing drab market conditions prevented John Haggas, unchanged at 141p, from responding to a newsletter recommendation.

Interim and preliminary trading statements made little impression of selected Investment Trusts. Financials with the exception of M & G, turned down and falls of 5 were recorded in Exco, 231p, MAI, 420p, and Mercantile House, 390p. Relief that the Kleinwort Benson offer of 28m M & G shares had been fully subscribed carried the price of the existing shares up 3 to 273p. Dealings in the new shares start next week.

Oils drift

The oil majors succumbed to the general malaise despite a slightly firmer showing by crude prices. British Petroleum settled 8 cheaper at 683p awaiting today's third-quarter figures, while Shell lost 11 at 942p. Burmah were particularly dull at 338p, down 10, while LASMO lost 5 at 152p and Enterprise shed 4 to 159p. Elsewhere, Conroy continued to edged higher on exploration hopes and closed 3 dearer at 376p. Dealings in New Court Natural Resources were suspended at 13p pending acquisition details.

Overseas Traders fell from favour, Inchcape losing 10 to 488p and Polly Peck 5 to 168p. Tozer Kemsley gave up 6 at 125p. Broking forecasts that Lonrho's profits would fall short of the £180m generally expected pushed the price lower again and the close was 4 off at 236p.

Golds edge higher

The tentative recovery in precious metal prices, coupled with another resilient performance by the Financial Rand against the dollar, led South African Golds to take Tuesday's minor rally a stage further. Quotations were steady-to-firm from the outset, despite sporadic nervous offerings from the Cape. News that Eastman Kodak is to join other major US corporations in withdrawing its operatings from the Republic, while generally regarded as bearish, had little apparent effect on sentiment, and for the second successive session, the share market, aided by firmer indications from Wall Street, finished at or around the day's best levels.

Bullion, nervous initially in front of the provisional US third-quarter GNP figures, subsequently improved and settled $2 up on balance at $393.25 an ounce. Platinum behaved similarly; short selling, believed to have emanated from Zurich, merely stimulated fresh support around the $480 resistence level and the metal rallied to $491 at the afternoon fixing.

Heavyweight Golds showed improvements of over a point in Randfontein, £63, and Vaal Reefs, £56¾, while the more marginal counters displayed gains of around 30 in Venterspost, 563p, and Stilfontein, 440p. The FT Gold Mines index rose 6.9 more to 310.9. Platinum producers also made modest headway with Impala 21 better at 780p.

Recently beleaguered Australian mines rebounded sharply as bullion's firmer showing in international markets stimulated revived domestic and overseas demand for Sydney and Melbourne. Central Norseman rallied 25 to 598p, and Gold Mines of Kalgoorlie put on 30 to 623p. Metana advanced 11 to 264p, while the encouraging tenor of the chairman's statement at the annual lifted Sons of Gwalia 15 to 335p.

Traded Options

The expiry of the November series gave a sizeable boost to Traded Option activity. Of the expiring classes, dealers reported lively business in British Telecom, which recorded 1,573 calls and 2,143 puts, and in Cadbury Schweppes, with 1,336 calls and 1,517 puts done. Elsewhere, operators continued to show enthusiasm for Hanson Trust positions with 13,258 calls and 2,886 puts transacted. The FT-SE 100 index contract was also in demand and contributed 1,002 calls and 3,890 puts. Total contracts struck amounted to 47,865.

Traditional Options

- **First dealings** Nov 17 Dec 1 Dec 15
- **Last dealings** Nov 28 Dec 12 Jan 2
- **Last declaration** Feb 19 Mar 5 Mar 19
- **For Settlement** Mar 2 Mar 16 Mar 30

For rate indications see end of Unit Trust Service

Call options were taken out in Audiotronic, Tricentrol, Ferranti, Control Securities, Bristol Oil and Minerals, Hughes Food, William Boulton, Atlantic Resources, Lister, London Securities, Polly Peck, Goodwin, Sound Diffusion, Johnson and Firth Brown, British Telecom, Plaxtons (GB), Morgan Grenfell, Conroy, Telephone Rentals, Ultramar, Bowater, Centrovincial Estates, St Modwen, Phoenix Properties, Greenwich Resources, Boddingtons, Delta, Wellman and Polymark. No puts or doubles were reported.

FINANCIAL TIMES STOCK INDICES

	Nov. 19	Nov. 18	Nov. 17	Nov. 14	Nov. 13	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	80.76	81.32	81.43	81.38	81.04	83.37	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.35	88.59	88.55	88.54	88.46	88.78	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,258.8	1,271.6	1,278.5	1,293.2	1,295.7	1,106.0	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	310.9	304.0	302.4	325.1	328.5	285.2	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.50	4.46	4.41	4.39	†4.39	4.36				
Earnings Yld.%(full)	10.44	10.35	10.21	10.19	†10.18	10.82				
P/E Ratio (net) (*)	11.72	11.82	11.98	12.00	†12.02	11.39				
SEAQ Bargains (5pm)	26,360	23,762	26,451	25,788	27,780	—				
Equity Turnover (£m)	—	914.07	983.27	1050.52	1177.48	729.12				
Equity Bargains	—	38,380	36,958	41,152	45,236	28,567				
Shares Traded (ml)	—	353.1	431.2	520.8	479.0	349.8				

S.E. ACTIVITY

Indices	Nov. 18	Nov. 17
Gilt Edged Bargains	128.9	177.7
Equity Bargains	248.7	239.5
Equity Value	1847.6	1987.4
5-Day Average		
Gilt Edged Bargains	144.6	148.0
Equity Bargains	280.8	291.0
Equity Value	2146.4	2141.1

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1261.5	1263.8	1256.8	1252.2	1253.2	1253.3	1253.4	1255.9

Day's High 1264.9. Day's Low 1251.7.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.24. †Corrected.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (35)

AMERICANS (1) Gillette, BREWERS (1) Eldridge Pope A, BUILDINGS (1) Crouch D, BUILDINGS (1) Sindall (Wm), STORES (2) Debfor, Wassall (J. W.), ELECTRICALS (2) Cifer, Microsystems, FOODS (1) BSN, INDUSTRIALS (11) Alumasc, Anglo African Fin, Flogas, Hewitt (J.), J. S. Patrology, Scott Greenham, Stat-Plus, Stocklake, Tod, Williams (J.), Wyndham, INSURANCE (1) Equity & Law, LEISURE (1) Greenwich Cable, MOTORS (1) Aerospace Eng, NEWSPAPERS (1) Black (A. & C.), PAPER (3) Clondalkin, Gibbons Lyons, McCorquodale, TRUSTS (5) Derby Trust Cap, Govett Strategic Inv, Greenfriar, New Court, Scot Cities A, OILS (2) Conroy Pet Nat Res, Intl Petroleum, OVERSEAS TRADERS (1) REA.

NEW LOWS (78)

BRITISH FUNDS (37), INT BANK & O'SEAS GOVT STLG ISSUES (9), LOANS (1) Inv in Ind 9pc A '91/94, FOREIGN BONDS (1) Iceland 14½pcLn 2016, AMERICANS (2) Bethlehem Steel, Colt Inds, CANADIANS (1) Rio Algom, BANKS (1) MCorp, BEERS (1) Bulmer, CHEMICALS (1) Morreau, STORES (1) Stormgard, ELECTRICALS (3) Northamber, Stone Intl, Victor Products, FOODS (4) Avana, Cullen's, Sutherland (E. T.), Wold, INDUSTRIALS (6) Amari, High-Point Services, Isotron, Office & Elect, Ropner A, Sidlaw Group, INSURANCE (2) Alexander & Alexander, Lincoln Natl, LEISURE (2) Aspinall Hldgs, Television Services, MOTORS (1) Lucas Inds, PAPER (2) Barker (Charles), Slough Est 11¼pc 2019, TOBACCOS (1) BAT Inds 12¼pcLn, TEXTILES (1) Pantherella, TRUSTS (1) London Trust.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	4,600	151	−2
Allied Lyons	958	307	−5
BAT	2,000	449	−6
BOC	709	332	−2
BTR	1,400	294	+3
Barclays	1,200	468	−2
Bass	607	729	−3
Beecham	1,000	431	+4
Blue Circle	804	627	−3
Boots	5,000	220	−4½
Brit. Aero	1,300	478	−3
Britoil	3,000	161	−2½
BP	2,200	683	−8
Brit. Telecom	9,200	193	−2
Burton	2,400	258	−7
Cable & Wire	4,400	310	+7
Cadbury Schwps	3,600	173	−5
Comm. Union	2,500	264	−3
Cons. Gold	1,300	647	−15

RISES AND FALLS YESTERDAY

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Wednesday November 19 1986

FIXED INTEREST

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA | GERMANY | NORWAY | AUSTRALIA (continued) | JAPAN (continued) | BELGIUM/LUXEMBOURG | SPAIN | SWEDEN | HONG KONG | DENMARK | ITALY | FINLAND | SWITZERLAND | NETHERLANDS | FRANCE | AUSTRALIA | SINGAPORE | SOUTH AFRICA

Oce Grinten	458	+1	Nord Est	180.1	−0.4	Aust. Guarantee	3.15	+0.05	Jusco 1,500 −10
Ommeren (Van)	36.7	+0.2	Pernod Ricard	1,015	−15	Aust. Nat. Inds	2.82		Kajima 1,150 −20
Pakhoed	73.5	−0.5	Perrier	805	−4	Bell Group	7.4		Kao Corp 1,620 +20
Philips	44.1	−0.1	Petroles Fra	420.2	−4.8	Bell Res	4.1	+0.1	Kawasaki Steel 155 −2
Robeco	91.1	−0.8	Peugeot S.A.	1,085	−10	Bond Corp Hldgs	2.65		Kirin 1,420 +20
Rodamco	135.8		Printemps (Au.)	534	+8	Boral	4.1	+0.05	Ko Steelbe 153 +15
Rolinco	81.6	−1	Radio tech	559	+8	Bougainville	2.88		Kamatsu 475 −1
Rorento	49.4	−0.1	Redoute	2,272	+2	Brambles Inds	7		Konishiroku 612 −3
Royal Dutch	205.1	−3.6	Roussel-Uclaf	1,410	−25	Bridge Oil	0.7	+0.02	Kubota 355 −4
Unilever	491.5	−7	Sefimeg	487	+2	B. H. Prop	8.16	+0.06	Kumagai 1,110 +20
VMF Stork	26		Skis Rossignol	1,155	−5	Burns Philp	8.3	+0.3	Kyocera 4,100 +40
VNU	320		Telemec Elect	2,990	+20	CRA	6.72	+0.08	Marubeni 462 −8
Wessanen	81		Thomson (CSF)	1,515	−5	CSR	2.76	+0.05	Marui 2,680 +20
West Utr Bank	50		Valeo	502	−5	Chase Corp	6.2	+0.1	Mazda Motors 372

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices November 19

MONTREAL

Closing prices November 19

F—No voting rights or restricted voting rights.

Total Sales 3,958,944 shares

Indices

NEW YORK—DOW JONES

Utilities	205.83	204.17	208.24	210.18	209.87	211.54	219.15 (20/8/86)	189.47 (22/1/86)	219.15 (20/8/86)	10.5 (8/4/32)
Trading vol	-	185.20m	132.25	172.60m	183.85m	182.19m	-	-	-	-

	Nov 14	Nov 7	Oct 31	Year Ago (Approx)
Ind Div Yield %	3.60	3.65	3.66	4.48

STANDARD AND POORS

	Nov 19	Nov 18	Nov 17	Nov 14	Nov 13	Nov 12	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	264.50	266.52	270.70	272.36	270.82	274.74	282.24 (2/7)	224.48 (22/1)	282.24 (2/7/86)	3.62 (21/6/32)
Composite	237.66	238.83	243.21	244.50	243.02	244.64	255.3 (27/8)	203.49 (22/1)	253.3 (27/8)	4.40 (1/6/32)

	Nov 12	Nov 5	Oct 29	Year Ago (Approx)
Ind div yield %	2.86	2.86	3.04	3.52
Ind. P/E Ratio	17.73	17.60	17.24	13.38
Long Gov Bond Yield	10.5	10.34	7.78	10.15

N.Y.S.E. ALL COMMON

Nov 19	Nov 18	Nov 17	Nov 14	1986 High	1986 Low
136.82	137.21	139.00	140.72	145.75 (4/9)	117.75 (22/1)

RISES AND FALLS

	Nov 18	Nov 17	Nov 14
Issues traded	2,004	1,086	1,980
Rises	266	541	818
Falls	1,383	1,029	723
Unchanged	355	416	441

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
USX CP	5,080,600	20	−1⅛	Ulco	1,581,900	11⅛	+ ⅛
Beverly Ent	4,153,800	16½	−3¼	Lear-Sieg	1,440,500	77	−12⅞
Gillette	2,492,500	53⅝	−8⅝	Transwd	1,383,100	38	− 2¼
ATT	2,059,100	25⅞	+ ⅛	Hug Mebnk	1,347,200	17½	unch
Goodyear	1,899,700	42	−2⅞	IBM	1,333,600	121½	+ 1

Advances 430 Declines 1,132

TORONTO	Nov 19	Nov 18	Nov 17	Nov 14	1986 High	1986 Low
Metals & Minls	2,071.8*	2,088.98	2,107.50	2,127.28	2,442.85 (21/3)	1,817.4 (5/8)
Composite	3,002.2*	3,026.28	3,047.50	3,070.0	3,129.11 (18/4)	2,754.8 (17/2)
MONTREAL Portfolio	1,513.83	1,524.87	538.86	1,545.4	1,623.33 (18/4)	1,386.8 (22/1)

* Indicates pre-close figure

DENMARK Copenhagen SE (3/1/83)	(u)	188.25	189.51	190.38	250.79 (18/4)	188.28 (11/11)
FINLAND Unitas Genl. (1975)	405.9	405.9	407.7	404.5	417.7 (9/10)	258.5 (2/1)
FRANCE CAC General (31/12/82)	378.4	379.1	380.5	379.00	412.5 (1/8)	287.8 (2/1)
FRANCE Ind Tendance (31/12/82)	145.6	146.0	146.8	144.7	158.0 (29/8)	101.8 (2/1)
GERMANY FAZ Aktien (31/12/58)	(u)	657.57	658.81	659.80	753.88 (17/4)	585.82 (22/7)
GERMANY Commerzbank (1/12/53)	(u)	1975.2	1977.9	1979.2	2278.8 (17/4)	1782.4 (22/7)
HONG KONG Hang Seng Bank (31/7/64)	2245.34	2249.37	2242.30	2244.85	2555.36 (29/10)	1558.84 (19/5)
ITALY Banca Comm. Ital. (1972)	719.98	725.15	726.25	745.49	868.28 (20/5)	454.87 (24/1)
JAPAN** Nikkei (16/5/49)	17,293.81	17275.52	17208.1	17580.5	18938.2 (20/8)	12881.5 (21/1)
JAPAN** Tokyo SE New (4/1/68)	1419.75	1421.6	1415.56	1450.34	1585.55 (20/8)	1025.85 (21/1)
NETHERLANDS ANP.CPS General (1970)	278.7	280.3	279.5	280.3	301.6 (5/8)	240.4 (6/8)
NETHERLANDS ANP.CBS Indust (1970)	275.2	277.3	276.7	279.3	303.8 (19/9)	234.0 (5/3)
NORWAY Oslo SE (4/1/83)	377.41	377.08	376.25	378.39	402.91 (16/1)	351.61 (4/8)
SINGAPORE Straits Times (30/12/66)	893.88	895.48	891.90	895.85	940.64 (5/11)	565.34 (28/4)
SOUTH AFRICA JSE Gold (28/9/78)	—	1822.0	1847.9	1828.8	2961.9 (19/8)	1189.1 (21/4)
SOUTH AFRICA JSE Indust (28/9/78)	—	1402.9	1411.9	1418.0	1419.9 (12/11)	1019.5 (2/1)
SPAIN Madrid SE (30/12/85)	176.51	172.19	171.80	172.80	290.79 (9/10)	100.65 (6/1)
SWEDEN Jacobson & P (31/12/56)	2577.12	2589.75	2588.96	2821.91	2872.79 (7/11)	1723.57 (28/1)
SWITZERLAND SwissBankCpn (31/12/58)	576.8	577.1	569.9	569.1	625.5 (9/1)	497.2 (4/8)
WORLD M S. Capital Intl. (1/1/70)	—	541.0	537.5	541.0	550.0 (1/9)	240.8 (25/1)

** Saturday November 15: Japan Nikkei (c). TSE (c).

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Aerospace Eng	77	+ 7
Alumasc	195	+11
Berisford (S & W)	284½	+12½
Cable & W	310	+ 7
Impala Plat.	760	+21
McCorquodale	316	+ 5
Poseidon	235	+ 4
RHM	267	+ 5

FALLS

Ex 12% 13/17	£111⁷⁄₁₆	−1⁹⁄₁₆
Avana	504	−32
BAT Inds.	449	− 6
Barton Tr	395	−50
BP	683	− 8
BPCC	243	− 5
Burmah Oil	336	−10
Burton	258	− 7
Exco Intl.	231	− 5
Goodwin	58	−10
Heath (C.E.)	474	− 9
Inchcape	488	−10
Kennedy B	275	−10
Ladbroke	363	− 6
Lex Service	314	− 6
Mercantile H	300	− 5
Morgan Gren	408	−10
Thorn EMI	465	−15
Tozer Kems	125	− 6
WCRS	528	−12
Whitbread A	260	−10
Wimpey (G)	178½	− 8

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 39

Stock	Sales (Hnds)	High	Low	Last	Chng
OpticR	19 372	18½	18	18¼	¼
Oracle	44 376	19½	19	19	− ¼
Orbit	15 375	11⅛	11	11⅛	+ ⅛
OshBA .14c	20 131	57	56	57	+ ½
OshkTB .20	10 398	24	23	23¾	+ ¼
OttrTP 2.84	13 106	47⅜	47⅛	47⅛	
OwenMn.30	14 177	17	16⅝	17	+ ¼
PurtiBs .20	17 152	31¼	30½	31	
QMS	17 864	14	13⅝	13⅞	
Quadrx	400	8¼	8	8	− ⅛
Quantm	10 886	17¾	17¼	17½	− ¼
Quixtes	1472	14½	13½	13⅝	− ½
RPM .72	20 240	20⅞	20⅝	20⅞	+ ⅛
RadSys	11 268	9¾	9½	9½	
Rainer 1.08	9 1531	31⅜	30¾	30¾	− ⅝
RayEn .24	15 1	29½	25½	29½	
Readng	20 7	22¾	22½	22¾	− ¼
Reboks	11 2572	26¼	25½	25¾	− ½
Reeves	19 547	8⅜	7½	7⅝	− ⅝

X Y Z

Stock	Sales (Hnds)	High	Low	Last	Chng
XLData	14 12	18	17½	18	+ ½
Xicor	416	5⅛	5	5	− ⅛
Xidex	28 1719	14⅛	13¾	13⅞	− ⅜
Xyvan	158 213	13¼	12¾	12¾	½
YlowFs .62	14 878	39	38¼	38¼	− ⅝
ZenNtl .80	16 706	22¼	d20¾	21¾	− ¼
ZionUt 1.44	12 44	47	46¼	46¾	¼
Zondvn	33 851	27⅛	26¼	27	

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28½	15	AAR s	.44	2.0	17	66	22⅝	22	22¼	−⅜
30	21¾	ADT	.92	3.5		202	26⅛	26⅛	26⅛	−⅛
33	14½	AFG s	.12t	.5	13	891	27⅞	26½	26½	−1½
25⅜	16¾	AGS			16	104	23⅞	23¾	23¾	−⅛
15	7¾	AMCA				21	8⅜	8⅛	8⅛	−⅛
62⅛	38¾	AMR			13	1345	56¾	54¾	55⅜	+⅜
24⅞	18⅝	ANR pf	2.12	9.1		4	23½	23⅜	23⅜	−⅛
16¾	10	ARX	.71t	6.6	10	121	11	10⅝	10¾	−⅛
41½	26¾	ASA	2a	5.6		553	36⅛	35⅝	35½	−½
18⅝	9¾	AVX			29	69	11⅝	11⅛	11⅛	−⅛
32	25½	AZP	2.72	9.5	9	1503	28⅞	28⅜	28½	−⅜
58	30¼	AbtLb s	.84	1.9	20	4025	44⅜	43⅜	44⅜	+⅜
32	23⅝	AccoWd	.56	2.1	17	69	26⅞	26½	26½	−⅜
14⅞	9	AcmeC	.40	4.0		205	10	9⅞	10	+⅛
9¼	6¼	AcmeE	.32b	5.0	16	45	6½	6⅜	6⅜	−¼
23⅞	17½	AdaEx	4.45e	22.		153	20½	20⅛	20⅛	−¼
33⅜	19	AdmMl	.46	1.8	13	4	27	27	27	−⅛
20⅜	12⅛	AdvSys	.45t	3.3	13	41	14¾	14⅝	14¾	−⅛
32⅞	12⅞	AMD				1299	15½	15	15¼	+⅜
12⅝	5¼	Adobe				29	6¼	6⅛	6⅛	
18⅜	13¾	Adob pf	1.84	11.		2	16¼	16⅛	16¼	+⅛
20¼	16⅜	Adob pf	2.40	14.		6	17¾	17⅝	17¾	
18⅜	9⅜	Advest	.12a	.9	10	164	13⅝	13⅜	13½	−⅛
66¼	49⅞	AetnLf	2.64	5.0	8	3530	54⅛	53¼	53¼	−½
56⅜	51½	AetL pf	4.69e	8.9		513	52⅞	52⅜	52⅜	−⅛
101½	87¼	AetL pfC	5.29e	6.0		160	88¼	87⅞	88¼	+½
28¾	12⅛	Ahmnss	.46	2.4	6	10415	19¾	18⅞	19⅜	−⅝
5¾	2⅜	Aileen			45	16	3¼	3⅛	3⅛	−⅛
[illegible]										

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
1⅞	⅞	Pengo n				106	13-16d	¾	¾	−3-16
62½	46¾	PenCen			24	5996	55½	54¼	54¾	−¾
86⅝	60⅞	Penney	2.48	3.1	13	2936	80¼	78¾	80⅛	+⅝
43⅝	28	PaPL	2.60	6.8	13	867	38⅞	37¾	38⅝	−⅛
54	37	PaPL	pf4.40	8.3		z30	53	53	53	
53⅜	37½	PaPL	pf4.50	8.7		z660	51½	51	51½	+½
100	71	PaPL	pf8.60	8.7		z100	98½	98½	98½	+⅜
30¼	26	PaPL	dpr2.90	9.6		2	29⅝	29⅝	29⅝	
99⅞	69	PaPL	pr8.40	8.9		z60	94¼	94¼	94¼	
95	67	PaPL	pr 8	8.5		z1180	94½	93½	94½	+1
99¾	73	PaPL	pr8.70	8.8		z150	99⅛	98⅞	99⅛	+1
59	37	Pennwlt	2.20	4.3	20	250	50¾	50½	50¾	
34¾	23	Pennw	pr1.60	5.2		32	31	30½	30⅝	−⅜
91	47⅞	Pennzoil	2.20	3.1	70	1815	72½	70⅛	72⅛	+1⅛
23¾	17¾	PeopEnl	.32	5.9	10	342	22½	22	22½	+½

X Y Z

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	48⅝	Xerox	3	5.3	12	4107	57	54⅝	56¾	+1⅝
58¼	54	Xerox	pf5.45	9.5		46	57¼	57	57¼	+⅛
28¾	20¾	XTRA	.64	2.8		163	23⅛	22⅜	22½	−⅞
18¾	13½	Yorkin n				168	17⅛	16⅞	16⅞	
45¾	28½	ZaleCp	1.40	3.5		2292	42	38½	39¾	−2⅞
9½	2¼	Zapata	.03j			421	2½	2⅜	2½	
43⅞	20¾	Zayre s	.32	1.3	18	3420	25⅝	24¾	25⅛	−⅜
17	9¾	Zemex	.40	3.4	19	43	12	11¾	11⅞	
29⅞	17⅞	ZenithE				261	20⅜	20	20⅛	
18¼	8	ZenLb s			63	1142	10¼	9⅞	10	
22⅜	12⅜	Zero s	.29	2.1	14	181	14¼	14	14	−½
45¾	33¾	Zurnin	1.32	3.5	15	69	38⅝	37¾	37⅞	−¾
10⅝	9½	Zweig n				521	9⅞	9⅝	9⅞	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Blue chips lend support amid selling

TAKEOVER stocks remained under heavy selling pressure again yesterday on Wall Street, but blue chips gave enough support to the broad market for stocks overall to edge ahead, *writes Roderick Oram in New York.*

Some help came also from briskly rallying bond prices after the market had given a favourable interpretation to some mixed economic news.

The Dow Jones industrial average closed up 9.42 at 1,826.63, but in contrast the all-share New York Stock Exchange composite index managed only a fifth of the gain in percentage terms with a rise of 0.14 to 136.62.

Volume was heavy again at 184.3m compared with Tuesday's 185.3m, with declining issues outpacing rising by a margin of two-to-one.

Following the sudden 43.3 drop in the Dow on Tuesday afternoon, the market yesterday "looks like it is resting," said Mr Dan Marciano, senior vice president of equity trading at Prudential-Bache.

Some investors took the opportunity of Tuesday's decline to buy at relatively lower prices into blue chips, among which IBM was up $2½ at $123, General Motors gained $1⅞ to $71. Du Pont advanced $1 to $85⅛ and AT & T gained $⅜ to $25½.

"It looks like there's flight into quality," said Mr Tony Woodruff, head of arbitrage trading at Kidder Peabody. "When you have disruptive markets like this, everybody's going to say 'I only want to be in the good stuff'."

Stocks which had risen sharply in recent weeks on hope or news of takeovers continued to fall rapidly as the market feared that the bidders would not be able to finance the deals. In many cases, the bids are to be financed by junk bonds from Drexel Burnam Lambert which has found itself under intensifying scrutiny in the wake of the Boesky insider trading scandal.

An unofficial index of 12 stocks identified as takeover or restructuring candidates plunged 11.1 points in the first two-and-half days trading this week, according to the Dow Jones news service which constructed the index. The fall would be equivalent to a 208-point drop in the Dow industrial index.

Among the takeover stocks, Gillette fell $2¾ to $57¾ after its management had accused the bidder, Mr Ronald Perelman, of tipping off market players to his plans to launch a bid financed by Drexel. Drexel reiterated its confidence that it could raise the necessary funds.

Holiday Corp, the Holiday Inns chain, fell $2¼ to $68¼ after market worries that it could not carry through its capital restructuring financed in part by Drexel.

Lear Siegler plunged $10⅞ to $79. Wickes said it was having difficulty raising bank finance for its agreed bid for the company.

Among other takeover candidates, rumoured or actual, USX – the most active of all stocks with 6.3m shares traded – slipped $⅜ to $20⅞. Transworld lost $2¼ to $36, Goodyear Tire and Rubber dropped $2⅛ to $42, Borg Warner fell back $1½ to $37¼, Stop & Shop lost $1⅞ to $49⅞ and Federated Department Stores was down $4½ to $87.

In the credit markets, junk bond prices continued to fall, with the heaviest pressure on issues underwritten by Drexel. But the tone of the market was better with a larger volume of bonds traded and more buying interest, particularly in the higher-quality issues.

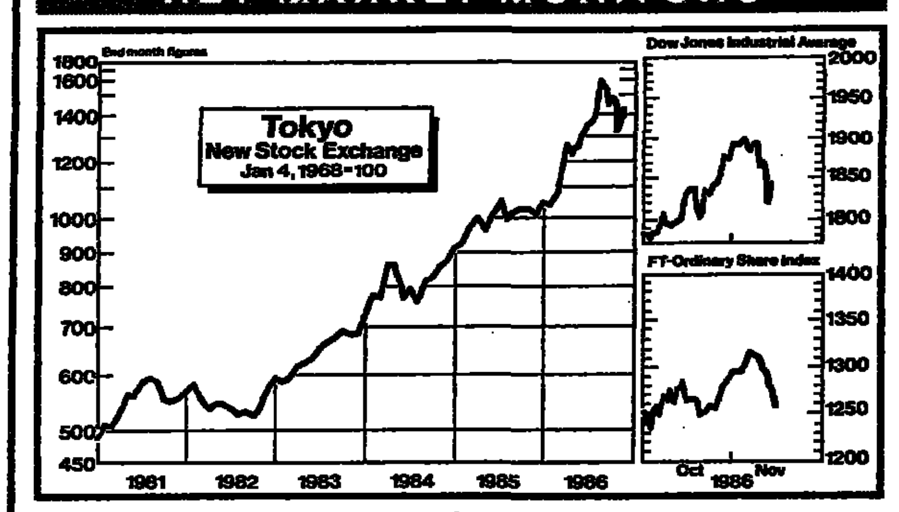
Some of the hardest hit issues, particularly those issued to finance leveraged buyouts, were off as much as two points bringing the decline so far this week to around five or six points.

In the government bond sector, prices rose on economic news which in fact had mixed implications for the market. On the less favourable side, the third-quarter gross national product figure was revised upward more than expected which reinforces the view that there is no immediate need for the Federal Reserve to cut its discount rate to stimulate growth.

The price of the benchmark 7.50 per cent Treasury bond due in 2016 rose 1 1/16 to 100 13/16 at which it yielded 7.43 per cent. The price gains were far less marked at the shorter end of maturities.

Three-moth Treasury bills fell five basis points to 5.34 per cent, six-month bills fell seven basis points to 5.33 per cent and year bills were off 10 basis points at 5.40 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Nov 19	Previous	Year ago
NEW YORK			
DJ Industrials	1,826.63	1,817.21	1,438.39
DJ Transport	816.50	813.88	683.52
DJ Utilities	205.03	204.17	165.21
S&P Composite	237.66	238.63	220.90
LONDON			
FT Ord	1,258.8	1,271.6	1,106.0
FT-SE 100	1,604.3	1,617.5	1,412.1
FT-A All-share	798.35	805.58	689.71
FT-A 500	872.23	880.42	755.39
FT Gold mines	310.9	304.0	285.2
FT-A Long gilt	10.80	10.86	10.44
TOKYO			
Nikkei	17,283.81	17,273.53	12,807.3
Tokyo SE	1,419.79	1,421.56	991.63
AUSTRALIA			
All Ord.	1,335.8	1,314.5	983.0
Metals & Mins.	651.3	639.2	488.3
AUSTRIA			
Credit Aktien	227.89	233.75	216.36
BELGIUM			
Belgian SE	3,923.53	3,964.95	2,919.09
CANADA			
Toronto			
Metals & Minls	2,067.90	2,088.90	1,837
Composite	3,000.0	3,026.2	2,793
Montreal			
Portfolio	1,510.71	1,524.07	135.22
DENMARK			
SE	n/a	189.25	229.40
FRANCE			
CAC Gen	378.40	379.10	235.2
Ind. Tendance	145.60	146.00	88.0
WEST GERMANY			
FAZ-Aktien	closed	657.37	589.79
Commerzbank	closed	1,975.20	1,742.7
HONG KONG			
Hang Seng	2,243.34	2,249.97	1,754.68
ITALY			
Banca Comm.	718.98	723.13	423.62
NETHERLANDS			
ANP-CBS Gen	278.70	280.30	235.5
ANP-CBS Ind	278.20	277.80	210.9
NORWAY			
Oslo SE	377.41	377.08	405.41
SINGAPORE			
Straits Times	888.08	895.48	758.93
SOUTH AFRICA			
JSE Golds	—	1,822.0	1,193.8
JSE Industrials	—	1,402.0	971.3
SPAIN			
Madrid SE	178.51	172.19	100.40
SWEDEN			
J & P	2,577.13	2,569.75	1,513.30
SWITZERLAND			
Swiss Bank Ind	570.00	577.10	538.2
WORLD	Nov 18	Previous	Year ago
MS Capital Int'l	341.00	337.5	239.7

COMMODITIES

(London)	Nov 19	Prev
Silver (spot fixing)	391.85p	391.55p
Copper (cash)	£915.75	£909.75
Coffee (Nov)	£2,032.50	£2,022.50
Oil (Brent blend)	$15.375	$15.20

GOLD (per ounce)

	Nov 19	Prev
London	$393.25	$391.25
Zürich	$393.25	$390.95
Paris (fixing)	$393.44	$389.96
Luxembourg	$392.00	$388.25
New York (Dec)	$388.50	$394.50

CURRENCIES

(London)	US DOLLAR Nov 19	US DOLLAR Previous	STERLING Nov 19	STERLING Previous
$	–	–	1.4180	1.4235
DM	2.0075	2.0125	2.8475	2.8650
Yen	162.40	162.70	230.25	231.50
FFr	6.5750	6.5900	9.3225	9.3800
SFr	1.6705	1.6740	2.3675	2.3825
Guilder	2.2640	2.2740	3.2100	3.2375
Lira	1,3885	1,392	1,969	1,981.50
BFr	41.70	41.90	59.15	59.65
C$	1.3835	1.3830	1.9625	1.9695

INTEREST RATES

	Nov 19	Prev
Euro-currencies (3-month offered rate)		
£	11 1/16	11⅛
SFr	4	4
DM	4⅝	4⅝
FFr	7 11/16	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6⅛
6-month US$	6⅛	6⅛
US Fed Funds	7¼*	5⅞
US 3-month CDs	5.75*	5.925
US 3-month T-bills	5.33*	5.49

US BONDS

Treasury

		November 19* Price	November 19* Yield	Prev Price	Prev Yield
6⅝	1988	100 7/32	6.251	100 5/32	6.286
7¼	1993	100 11/32	7.019	100 7/32	7.083
7⅜	1996	100 15/32	7.192	99 27/32	7.268
7½	2016	100 13/32	7.458	99 23/32	7.521

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index (Nov 19*)	Day's change (Nov 19*)	Yield	Day's change
1–30	159.22	+0.45	6.95	−0.04
1–10	151.52	+0.22	6.64	−0.03
1– 3	141.67	+0.07	6.26	−0.02
3– 5	154.38	+0.20	6.76	−0.03
15–30	186.77	+1.21	7.93	−0.06

Source: Merrill Lynch

Corporate	November 19* Price	November 19* Yield	Prev Price	Prev Yield
AT & T				
3⅝ July 1990	92.449	6.25	92.292	6.30
SCBT South Central				
10⅞ Jan 1993	106.875	9.407	106.875	9.409
Phibro-Sal				
8 April 1996	99	8.152	99	8.152
TRW				
8⅛ March 1996	103.125	8.25	102.75	8.315
Arco				
9⅝ March 2016	108	9.08	107.914	9.095
General Motors				
8⅛ April 2016	91.5	8.95	91.403	8.951
Citicorp				
9⅛ March 2016	99.233	9.45	99.5	9.423

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	99-16	99-20	99-00	98-18
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.76	94.77	94.70	94.72
Certificates of Deposit (IMM) $1m points of 100%				
Dec	n/a	n/a	n/a	94.34
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	93.97	93.97	93.93	93.96
20-year Notional Gilt £50,000 32nds of 100%				
Dec	106-14	107-21	106-06	107-23

* Latest available figures

TOKYO

Property and land are sole bright spots

THE SHARP overnight fall in Wall Street took Tokyo lower early yesterday, but prices picked up marginally on later buying, *writes Shigeo Nishiwaki of Jiji Press.*

The market lacked energy as institutional investors stayed away, and only housing-related stocks and issues involved in redevelopment projects drew buying.

The Nikkei average added 10.28 to 17,283.81 on a volume of 382.09m shares, up from 279.74m on Tuesday. Losses outpaced gains 429 to 382, with 151 issues unchanged.

The fourth-steepest fall of the Dow Jones industrial average on Wall Street spurred Tokyo investors to sell in small lots. However, buying gradually increased.

Sumitomo Heavy Industries continued to attract buying on its plan to build a large marine leisure centre in its dockyard site in Kanagawa Prefecture. But trading was chiefly designed to reap immediate capital gains, and the issue closed Y28 lower at Y268 after jumping Y11 to Y307.

Japan Steel Works, also involved in a redevelopment project, lost Y16 to Y386 in active trading. Tokyo Land and Nikkatsu turned down, declining Y7 to Y625 and Y14 to Y147.

Investors selected domestic blue chips with relatively bright business outlooks. Lion soared Y90 to Y1,470 while Kao climbed Y10 to Y1,610. Among housing-related stocks, Daiwa House went up Y20 to Y1,730 and National House Y30 to Y1,370.

Drugs firmed, with Takeda Chemical rising Y50 to Y2,250, Sankyo Y10 to Y1,380 and Tanabe Seiyaku Y40 to Y1,560.

International blue chips came under selling pressure after investment trusts had stopped buying them. Toshiba finished Y24 lower at Y581, Matsushita Electric Industrial Y20 down at Y1,760 and Hitachi Y3 cheaper at Y959.

Trading in large-capital stocks ran out of steam in the absence of institutional investors. Ishikawajima-Harima Heavy Industries dropped Y21 to Y380, Nippon Kokan Y11 to Y202 and Tokyo Gas Y20 to Y950. Tokyo Electric Power suffered a Y50 loss to Y7,490.

Bond prices moved marginally in thin trading. Funds had been expected to shift to long-term bonds as the Bank of Japan clarified its policy of guiding short-term interest rates lower on Tuesday when it bought Y300bn bills despite the fact that there are surplus funds. But bank and securities house dealers were unwilling to move, reflecting Tuesday's slight decline on the US bond market.

The yield on the benchmark 6.2 per cent government bond maturing in July 1995 rose from 5.185 per cent on Tuesday to 5.210 per cent. However, city banks bought the relatively cheap 5.1 per cent government bond due in June 1996, which is expected to replace the 6.2 per cent bond as the bellwether issue, and its yield dropped from 5.590 per cent to 5.575 per cent.

CANADA

A BROAD retreat in Toronto affected most major sectors, particularly industrials.

Among active industrials were Canadian Pacific, which traded C$¼ lower at C$15⅜, and Indal, C$⅝ down at C$12½. Against the trend Royal Bank of Canada added C$¼ to C$33¾.

Husky Oil traded C$⅛ lower at C$9½ on a possible business combination with Hong Kong's Cheung Kong.

Montreal traded marginally easier.

EUROPE

Brussels hit by worries over GBL

TRANSATLANTIC events caused a mixture of waves and ripples on the bourses yesterday with some European markets all but ignoring the overnight decline on Wall Street.

Brussels, however, fell sharply as blue-chip Groupe Bruxelles Lambert registered its second consecutive loss, closing BFr 280 down at BFr 3,520. The group was traded heavily on continuing reaction to the news that the US Securities and Exchange Commission was examining the operations of its affiliate, Drexel Burnham Lambert.

Frankfurt markets were closed for a holiday yesterday.

Amsterdam also eased amid nervousness among investors over the insider trading scandal in the US. There was also some concern following speculation of domestic insider trading involving construction group Bredero and its property affiliate Breevast which were suspended on Tuesday ahead of a company statement.

Internationals suffered from the overnight fall on Wall Street, with Royal Dutch down BFr 3.60 to BFr 205.10 and Unilever BFr 7 to BFr 491.50. Philips, however, lost only 10 cents to BFr 44.10.

Zurich closed relatively steady although Pargesa bearer lost SFr 135 to SFr 2,200. The group has an indirect stake in Drexel.

Among easier banks UBS fell SFr 15 to SFr 5,880 although Bank Leu added SFr 10 to SFr 3,790 and Swiss Bank was unchanged at SFr 528. Other financials included Swiss Re, down SFr 100 to SFr 18,400, and Winterthur, up SFr 25 to SFr 6,800.

Chemicals closed narrowly mixed, with Sandoz, after its sharp falls in recent sessions, closing SFr 25 up at SFr 10,025. Hoffmann-La Roche "baby," however, fell SFr 50 to SFr 11,425, and Ciba-Geigy lost SFr 25 to SFr 3,375.

Stockholm recovered from worries over interest rates and rallied, largely ignoring the effects of Wall Street's decline.

Good gains were seen among chemicals and pharmaceuticals while car maker Volvo scored a SKr 2 rise to SKr 376 on hopes of improved third-quarter results.

Pharmacia added SKr 2 to SKr 194 in active trading, and Fermenta rose SKr 5 to SKr 113.

Aga, the industrial gas maker which announced the signing of an agreement to exchange technologies with Japan's Nippon Sanso, rose SKr 5 to SKr 199.

Madrid was also buoyant as signs of a slow-down in inflation helped to push the stock exchange index to its second-biggest single-day gain, rising 6.32 to 178. The largest jump was on September 29, when the index rose 7.32 on government measures to boost investment.

Banks gained, with Bilbao up 18 points to 1,095 per cent of nominal market value after news of higher nine-month profits, Central up 19 to 855 and Hispano 20 higher at 450.

Paris closed mainly lower on Wall Street's decline and the approaching end of the monthly trading account and despite good news on industrial output.

In construction stocks Bouygues lost FFr 16 to FFr 1,259, and Lafarge Coppée eased FFr 1 to FFr 1,305.

Milan was also generally lower again in moderately active trading. Industrial blue-chip losers included Montedison, which fell L30 to L2,925.

Oslo was mainly steady in featureless trading.

HONG KONG

INVESTORS stood back in Hong Kong ahead of a government land auction later in the day. The auction price of the residential block was within market expectations and failed to encourage any later buying.

The Hang Seng index lost 6.63 to 2,243.34 in quiet trading.

Takeover speculation continued to affect Cheung Kong, which fell 25 cents to HK$31.75, and its affiliate Hutchison Whampoa, which lost HK$1 to HK$40. Cheung Kong said after the close of trading it was seeking further talks with Canada's Husky Oil on a possible business combination.

SINGAPORE

NERVOUS selling reversed early gains in Singapore as worries over relations with Malaysia resurfaced. The Straits Times industrial index ended 7.40 points lower at 888.08 on turnover of 19.6m

LONDON

Nervousness results in further falls

NERVOUSNESS about Wall Street and weakness in government bonds continued this week's fall in share prices in London.

Prices fell sharply in the morning on the Boesky case repercussions but steadied towards the close when Wall Street held firm in early trading.

The FT-SE 100 index, 21 off before Wall Street's opening, ended a net 13.2 lower at 1,604.3, and the FT Ordinary index closed 12.9 down at 1,258.8.

Some international and speculative stocks came under selling pressure, and oil stocks were also weak despite a small rally after reports that Iran had called on Opec to establish a price of $20 a barrel. BP ended 8p down at 683p, and Burmah Oil was 10p lower at 336p.

The gilt-edged market suffered a bout of retail selling as sterling slid lower against the D-Mark.

Chief price changes, Page 37; Details, Page 36; Share information service, Pages 34–35.

AUSTRALIA

A RAPID RECOVERY based on an upturn in the bullion price took the All Ordinaries index in Sydney 20.8 higher to 1,335.7 after seven days of retreat.

Bargain-hunting also pushed the gold index up 55.9 to 1,559.3. Leading gold advances included Central Norseman, which added 60 cents to $13.40, Poseidon, up 3 cents to A$5.20, and Metana, 26 cents higher at A$5.90.

In the diversified resources sector CSR edged up 3 cents to A$2.78 after announcing higher profits.

SOUTH AFRICA

TRADING was hesitant in Johannesburg with gold shares ending mixed to easier as the bullion price hovered uncertainly just above $390 and the financial rand strengthened.

Golds saw Buffels off 50 cents at R81.50, F. S. Cons steady at R52.50 and Driefontein up 25 cents at R69.

This survey is an integral part of the Financial Times and is not for sale separately

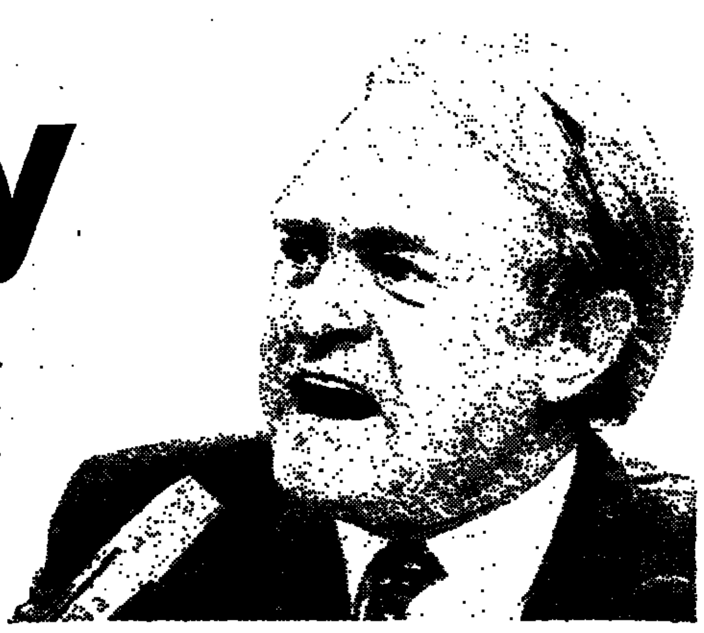
SECTION III

FINANCIAL TIMES SURVEY

West Germany

Mr Helmut Kohl's Centre-Right coalition is heading for a fairly comfortable election victory in January. The economy has been performing successfully, apart from the black spot of unemployment, and West Germany now sees its world role with more self confidence. But some gnawing challenges remain as the post-war consensus on running the country comes under strain

• Helmut Kohl: running a solid economy and looking likely to triumph against his contender, Johannes Rau (right), in next January's Federal General Election



• Johannes Rau, the Social Democratic Party (SPD) candidate for West German Chancellor: a likeable contender but saddled by the Opposition's lack of alternative policies

In this survey

A time for soul-searching

By DAVID MARSH in Bonn

VOTERS in West Germany are facing the general elections in January with an air of lugubriousness which seems at first sight to contradict the evidence of the state of the nation.

The Federal Republic enjoys material well-being and manifests a new-found self-confidence in high technology and the arts.

In its management of the economy Mr Helmut Kohl's Centre-Right coalition has been more successful than most other Western governments. Inflation has been defeated, for the moment at least, and prices are actually falling for the first time since the 1950s.

Although unemployment remains obstinately stuck at well over 2m, the number of people at work has been growing steadily. The current account and trade surpluses have never been higher.

Above all reflecting the steady if unspectacular economic advance which in 1987 will enter its fifth year, Mr Kohl's administration, led by the Christian Democrat Union (CDU) and its Bavarian sister party, the Christian Social Union (CSU), is likely to be given a fairly comfortable mandate for another four years in government.

The country is thus set for a more politically stable period than the US, France or the UK, which all face important elections during the next two years, can reasonably expect.

Yet beneath the surface a series of worries are gnawing away. They are all the more serious because they have grown up outside the political and economic mechanisms which have fostered and controlled the country's remarkable recovery since 1945.

The malaise is most frighteningly exemplified by the well-organised urban terrorists, the Red Army Faction, who are following the violent example of the Baader-Meinhof gang a decade after the latter's defeat.

It is also illustrated by the now almost endemic violence at demonstrations against nuclear power by groups of radicals—some linked to the terrorist movement—who occupy a position on the fringe of the massive and on the whole peaceful anti-nuclear movement.

Other Western countries are also grappling with terrorism, but nowhere else are the terrorists' deeds—as in the murder in Bonn in October of the political director of the Foreign Ministry, Mr Gerold von Braunmuehl—aimed so cold-bloodedly beyond the victim at the very foundations of what is still only a 37-year-old state.

Although there have been sporadic cases of police brutality against anti-nuclear protesters, it has been to West Germany's credit that this year's wave of violence against persons and property has not, on the whole, led to any overdone reaction.

None the less, the sharpened anti-terrorist laws now being rushed through the Bundestag have aroused criticism both in the Opposition Social Democratic party (SPD) and among the Free Democrat party (FDP), the junior partner in the Bonn coalition, that the Government is diluting those carefully created post-war judicial and civil rights.

Legislation

The measures include legislation to allow terrorists lenient treatment if they give evidence against their accomplices and a widening of the scope of terrorist offences to include attacks on energy and transport installations.

Because of the democratic checks and balances designed to guard against any resurgence of Nazi totalitarianism and tyranny, the state is not only directly under attack by terrorism but also has a guilty conscience about organising its own defence.

A sense of living under threat is also due to the country's history and geographical position between East and West.

No other industrialised nation is so acutely conscious of being an island in a stormy sea of world troubles. The West Germans, on the whole more sensitive than other Europeans to international problems ranging from the super-powers' armed confrontation and the Chernobyl nuclear disaster to the flood of refugees from developing countries, tend to feel that the water is starting to lap dangerously around their feet.

This mood—although clearly not felt by all West Germans—has been caught by Mr Carl Friedrich von Weizäcker, the philosopher, nuclear scientist and elder brother of the Federal President, in his new best-selling book Die Zeit Drängt (Time is Running Out).

"Mankind is in a crisis, the catastrophic peak of which is probably still before us," he writes in words hardly likely to fill his readers with joy.

In another way, the tendency towards fatalism has been summed up by the Germans' unwillingness to respond to US pressures to do more to stimulate their economy. Senior German monetary officials say that, with the population declining in numbers and sated with material goods, the present growth rate of 3 per cent more or less represents the maximum possible.

The belief that "time is running out" finds its political expression in the powerful and articulate ecology movement represented by the Greens.

The success of the Greens' anti-nuclear campaign in three important state elections since the Chernobyl disaster last April—in Lower Saxony, Bavaria and, earlier this month, Hamburg, where it won more than 10 per cent of the votes—has been not only a reflection of ordinary citizens' concern about nuclear power.

More fundamentally, it has also illustrated the growing distrust in the workings of the celebrated consensus between government and industry which has been the bedrock of economic success.

A further sign of weakening has come from the problems of the trade union movement. The system of strong, centralised unions, able and willing to negotiate as partners with the capitalists, has been another pillar of economic stability over the past 30 years. It is now rocking.

The Neue Heimat property group, Europe's biggest private housing concern and once the jewel in the German trade unions' crown, was sold after its financial collapse and a steady unfolding tale of mismanagement and corruption. Embarrassingly enough, it has since been bought back again.

The union's role in a new and less cosy relationship with the employers seems a great deal less certain than before. This is partly because unemployment (currently 8.5 per cent of the workforce) looks likely to remain startlingly high compared with levels existing as recently as 1980 (when it stood at 3.8 per cent).

On the face of it the coming election offers voters a choice between two models of society. The CDU and CSU parties are still supporting nuclear power, whereas the SPD — under strong pressure on its Left flank from the Greens—has adopted a policy of phasing out all nuclear power stations over the next 10 years.

On defence and foreign policy Mr Kohl has uncompromisingly aligned himself with Washington, laying himself open to charges of being tied to President Reagan's coat-tails. The SPD, on the other hand, has been accused of adopting neutralism by promising a less active military role within Nato and an end to West German participation in the US Strategic Defence Initiative research programme, although it says it will remain unswervingly within the Atlantic alliance.

The accident-prone Chancellor Kohl has resisted a series of minor crises in power since the SPD/FDP coalition was overturned four years ago.

Mr Johannes Rau, the SPD candidate for the Chancellorship in January, is a more popu-

Continued on Page 2

Politics

Why Mr Kohl must be feeling confident

THERE WAS a time just a few months ago, as the summer drew to a close, when the Social Democrats (SPD) began to look as if they might actually make a fight of next January's general election.

Mr Johannes Rau, the SPD candidate had a good party convention in late August and seemed to succeed momentarily at least, in drawing his often fractious party together.

But party unity is evidently not enough. The SPD has since suffered two major electoral defeats, in Bavaria and Hamburg. It would be rash to predict anything more than another setback for them in January. Certainly, they have no chance of winning an overall majority in the Federal Bundestag in Bonn. No single party ever has.

West German politics are never quite as predictable as they seem to be, mainly because the two major blocs, the SPD and the so called "Union" parties (Mr Kohl's Christian Democrats, the CDU, and its Bavarian sister party, the Christian Social Union, CSU) constantly have playing about their feet the liberal Free Democrat (FDP) party.

The FDP was in coalition with the SPD until 1982 and then abandoned it to go into coalition with Mr Kohl and the radical environmentalist party known as the Greens.

Both the FDP and the Greens command small shares of the vote—7 per cent and 5.6 per cent respectively in 1983, they only just scraped over the 5 per cent barrier necessary to get into parliament—but with the two big parties apparently unable to win national majorities they become kingmakers.

It is possible, for instance, that the SPD could form a government with the help of the Greens, just as the Union parties could do so with the FDP. But the SPD insists that it won't form a government with the Greens, calling them unreliable in questions of defence and security policy, and might therefore seem to have written itself off for January.

The SPD may hope to form a minority government, tolerated by the Greens, but for that to work the Greens would have to do much better than 5.6 per cent because most polls now put the SPD at around 40 per cent and falling.

The environmentalists have had a curious year. The nuclear disaster at Chernobyl, it was thought, would send voters scurrying to support Green policy to abandon all nuclear power. Yet in Lower Saxony in June they won only 7 per cent in a state (Land) election. But they have since done well in polls in Bavaria and Hamburg, where they scored over 10 per cent, this is what they would probably need nationally to be of any use to the SPD after January.

Such an unlikely result would be little short of sensational. Indeed, the Greens are more capable than most parties of shooting themselves in the foot before January 25 and of ending up with nothing.

Mr Kohl must be feeling confident. He looked it on television soon after the Hamburg city state election on November 9, when the CDU became the biggest party, with just over 42 per cent of the vote, after the SPD has shown a catastrophic fall from an overall majority in the Hamburg Senate to around 41 per cent.

His only worry as a coalition leader is that the FDP will suffer the same fate in January as it did in Hamburg in November and fail to clear the 5 per cent hurdle.

The FDP is engaged in a difficult internal debate between its economic liberal and "social" liberal wings over tough new security legislation the coalition Government is trying to introduce and it is possible that some of its unhappy supporters will turn to the SPD.

Some FDP leaders argue, however, that the party's initial unwillingness to support these proposals was to blame for its very poor showing in the Bavarian state poll in October.

The Hamburg result was especially ominous for the SPD in that it contained a clear message too about voters' anger with the trade unions and their sale in September of Neue Heimat, Western Europe's biggest housing concern, to an unknown West Berlin businessman for only DM1. The sale involved 190,000 homes and was an attempt by the unions to cut their losses in the concern, which has debts of DM17bn.

But the sale has left a bitter aftertaste with many traditional SPD supporters. In working-class areas in Hamburg the SPD vote fell nearly 12 per cent. The unions, with impeccable timing, have chosen this general election as the first in which they come out firmly on the side of one political party—the SPD.

Meanwhile, both prices and unemployment continue to fall nationally. This will probably change next year, but the Government could not have hoped for a more serene pre-election economy.

Mr Kohl, despite earlier signs that his Government might follow the Tory example in Britain and restructure the economy, has not done so. He has little taste for ideology. Neither, it seems, have most of the electorate. SPD poll themes of "fairness" and "peace" and "safe energy" do not seem to be making much impression.

Peter Bruce

"Ecological, Social, Ultra-Democratic. Peaceful. The Greens", reads the sign at a Greens Party congress. The environmentalists have had a curious year.

Federal and European election results

Federal Republic of Germany, 1949 to 1984; excludes West Berlin and Saarland

Date	CDU/CSU %	SPD %	FDP %	Greens %	Others %
14. 8.1949	31.0	29.2	11.9	—	27.8
6. 9.1953	45.2	28.8	9.5	—	16.5
15. 9.1957	50.2	31.8	7.7	—	10.3
17. 9.1961	45.3	36.2	12.8	—	5.7
19. 9.1965	47.6	39.3	9.5	—	3.6
28. 9.1969	46.1	42.7	5.8	—	5.5
19.11.1972	44.9	45.8	8.4	—	0.9
3.10.1976	48.6	42.6	7.9	—	0.9
5.10.1980	44.5	42.9	10.6	1.5	0.5
6. 3.1983	48.8	38.2	7.0	5.6	0.5
European					
10. 6.1979	49.2	40.8	6.0	3.2	0.8
17. 6.1984	45.9	37.4	4.8	8.2	3.7

Basic Statistics

Land area	248.6 sq km
Agricultural area	122.0 sq km
Forests	73.3 sq km
Population, 1985	61.04m
Civilian employment, 1985	25.00m
Employed in (% of total)	
Agriculture	5.6
Industry	41.0
Services	53.4

● Living Standards*

Private consumption per capita, US$**	7,274
Passenger cars per 1,000 inhabitants	402
Telephones per 1,000 inhabitants	598
TV sets per 1,000 inhabitants	367

* 1984 statistics
** at current purchasing power parities

● Unemployment rates

Year	(% of the labour force)
1980	3.4
1981	4.8
1982	6.9
1983	8.4
1984	8.4
1985	8.4
1986†	7.5

† September

● Real GNP (% change)

Quarter	1984	1985	1986
1st	4.25	0.57	1.70
2nd	1.20	3.68	3.32
3rd	3.67	3.54	
4th	2.82	2.18	

● Current account balance (DM)

Quarter	1983	1984
1st	6,280bn	4,080bn
2nd	2,230bn	360m
3rd	470m	5,360bn
4th	1,080bn	9,690bn
Quarter	1985	1986
1st	6,320bn	18,720bn
2nd	9,180bn	17,370bn
3rd	12,950bn	
4th	11,230bn	

● Trade balance (DMbn)

Quarter	1984	1985	1986
1st	11,960	15,860	25,090
2nd	8,110	18,550	26,960
3rd	14,960	20,210	23,350
4th	18,970	20,550	

● Inflation, %

Quarter	1984	1985	1986
1st	2.88	2.38	0.66
2nd	2.87	2.45	−0.17
3rd	1.81	2.28	−0.41
4th	2.14	1.76	

Source: FT Statistics Department

Test for economic power-house of Europe

Continued from Page 1

lar personality than Mr Kohl. But the Chancellor, who combines provincialism and lack of intellectual pretension with an earthiness which can at times verge on the boorish, is none the less a representative enough figure for the nation as a whole.

Mr Kohl's scanty knowledge of European history was revealed by his recent jibe comparing Mr Mikhail Gorbachev to Hitler's propaganda chief Joseph Goebbels, which, not surprisingly, ignited a diplomatic clash with the Soviet Union. But his firm refusal to accept any personal guilt for Hitler's war (he is the first post-war Chancellor who was only a boy when it ended) undoubtedly strikes a chord with most ordinary Germans.

In addition, the SPD, beset by internal contradictions, has been unable to come up with a credible set of alternative policies during its four years in opposition.

But despite the pre-election polarisation between the two parties the age of consensus in West Germany is still not dead—and it is here that the nation's strengths for the future lie.

The country's unique ambiguity, forced by the post-war division of Europe and its former territory to face both East and West, makes it especially vulnerable to blandishments from the Soviet Union.

The SPD, which has just come to a somewhat bogus accord with the East German Communist party over establishing a nuclear-free zone in Central Europe, is clearly more responsive to such Eastern overtures than the CDU.

Yet the view that West Germany has a role to play in Europe from the Atlantic to the Urals—underlined at the very least by the strong commitment to trade with the Eastern bloc—is common to both parties.

Again, both Mr Kohl and Mr Willy Brandt, the SPD chairman, have been echoing in recent months President Kennedy's speech, made in 1963 in which he spoke of Nato becoming a "two-pillar" organisation with Europe playing a much stronger role in relation to the US.

There is also more agreement than meets the eye on state intervention in the economy. For better or worse (and the judgment depends on whether one is a *high*-income tax-payer or a receiver of state handouts), subsidies and the overall tax burden have increased, in spite of the Right's free-market rhetoric, since Mr Kohl came to power.

Moreover, in recent speeches both Mr Kohl and Mr Rau have been stressing the need for Germans once again to be proud of their country. With Mr Kohl's new-found boldness in referring to the Fatherland, the CDU is clearly more insistent than the SPD on this line.

But both parties are voicing the German wish, after all the evil caused by aggressive nationalism and militarism in this century, to find a constructive role and reputation in the free world.

The search continues, bedevilled by terrorism, extra-parliamentarly dissent and ever-nagging moral doubts, but helped immeasurably by the nation's proven ability to create political and economic stability on the ruins of defeat.

For a nation so prone to gloomy introspection and guilty misgivings it may be that the West Germans' best service to the civilised world would be to export some of the factors contributing to its own success.

A strong personal relationship has been forged between President Mitterrand and Chancellor Kohl.

Relations with France

The axis stays firm

JUST AS it was in the time of the Elysee treaty signed in 1963 by Chancellor Konrad Adenauer and President Charles de Gaulle, the foundation of West Germany's European policies is built firmly along the Bonn-Paris axis. Although the foundations remain as strong as ever, there is now however some doubt about the stability of the structures built on top.

Chancellor Helmut Kohl in a speech in Chicago last month labelled Germany's "close links and friendship with France" as "the nucleus of European integration."

Mr Kohl has forged a strong personal relationship with President Francois Mitterrand. Their ties have been complicated by the fact that neither speaks a common language (unlike President Valery Giscard d'Estaing and Chancellor Helmut Schmidt, who conversed in English), and also by the new problems of "co-habitation" in Paris between a Socialist president and his conservative Prme Minister, Mr Jacques Chirac.

But the continued interest of both Bonn and Paris in forging closer links has been underlined by strong emphasis on both sides on further military and security co-operation and on building up a string of tecnological and industrial projects.

A large number of bilateral and multilateral meetings between the two leaders, along with politically symbolic agreements—such as the accord earlier this year for France to "consult" West Germany about using its nuclear deterrent—have however masked the frequent difficulties in specific areas of Franco-German collaboration.

Chancellor Kohl in recent months has placed particular emphasis on co-operation in armaments. This is designed to go hand-in-hand with the rapprochement between the two sides on East-West disarmament issues and the substantial training and deployment links now being worked out between the two counntries' armies.

However, in a range of areas—including notably over fighter aircraft—armaments collaboration has recently faced setbacks. French ideas of exploring the room for common ground in building tanks have so far come to nought. The long-running Franco-German project to build a joint military helicopter has meanwhile run into difficulties and the two sides are discussing simplifying the concept to cut costs.

In the civilian aerospace area, another touchstone of Franco-German links, similar difficulties and conflicts of interest have arisen.

There are differences both within and between the two governments about the wisdom of continuing talks on possible ties with McDonnell Douglas of the US over the new planned range of Airbus airliners.

In space, France has been gratified by the West German decision to put up 30 per cent of the development costs of the mooted French-led space going aeroplane, Hermes. But Germany considers this an "intermediate technology" project compared with the British Hotol design which could be built after the year 2,000, providing a foretaste of possible tensions to come in the space debate with France.

The two governments last month organised a "cultural summit" in Frankfurt. The idea was to try to come up with basic ideas for plugging a growing educational and language gap between the French and German peoples, caused above all by the growing dominance of the English (or American) language as an international means of communication. The results, inevitably, were rather meagre, especially because in Germany, cultural affairs are the domain of the Laender (state) governments.

France and Germany are more equal partners than in 1963, with the Germans having gained in post war confidence and the French less sure of their place in the world. But whether a more equal partnership will lead to more or less Franco-German dynamism in coming years remains to be seen.

David Marsh

Goods being unloaded at Hamburg Docks. Bonn officials emphasise that West Germany has been doing more than Japan to draw in imports and to correct imbalances in the world economy.

Economic Recovery

The upswing continues

THE WEST German Government is heading for the January general elections with comforting economic news under its belt. But a priority for whichever Finance Minister is in power next spring—and it looks likely to remain Mr Gerhard Stoltenberg—will almost certainly be policy action to correct a probable flagging in economic activity forecast for later in 1987.

Although it has been under almost continual pressure from the US administration during the past few months to take more action to stimulate growth, the Bonn Government believes it has, at least for the moment, done enough to contribute to a healthier world economic outlook.

Average growth in gross national product this year is likely to be just under 3 per cent. This may be modest by the standards of past upswings, but it still adds up to a higher 1986 growth rate than that recorded by any other big industrial country except Italy.

Furthermore, the Government can point to the likelihood that recovery will continue next year, the fifth year of upswing after the painful 1981-82 recession.

The Government, the Paris-based Organisation for Economic Co-operation and Development, and the "consensus report" of Germany's five leading economic research institutes are all forecasting average growth of around 3 per cent next year as well.

Unemployment looks likely to remain stuck at well above 2m next year—the five institutes are forecasting a total of 2.12m against 2.23m this year. But employment levels are steadily moving upwards. A net rise of 300,000 people in work has been registered this year—although some of these jobs have been created through cuts in working hours—with another 250,000 due to be added in 1987, according to the institutes' report.

This year's sharp rise in the D-mark, allied to the fall in the oil price, has produced what amounts to the best possible of worlds for the West German economy. Exports have held up at a relatively buoyant level—after sharp growth in the past few years as a result of the dollar's previous over-valuation. Import prices have fallen drastically under the impact of lower commodity prices and the cheaper dollar.

Gerhard Stoltenberg, Finance Minister: comforting news as the general election looms.

West German trade

Percentages in 1985

● Imports from:		● Exports to:	
Holland	12.6	France	11.9
France	10.6	US	10.3
Italy	8.0	Holland	8.6
UK	8.0	UK	8.6
US	7.0	Italy	7.8
Belgium/Lux	6.3	Belgium/Lux	6.9
Japan	4.5	Switzerland	5.4
Switzerland	3.7	Austria	5.1
Austria	3.3	Sweden	2.7
USSR	2.9	USSR	2.0

Source: Bundesbank

Inflation has turned negative—the latest consumer price index is 0.9 per cent below the year-ago level—with prices over the year as a whole likely to be 0.5 per cent below the 1985 average. And real incomes have risen sharply, stoking up a domestic demand-led recovery which the Government hopes will continue next year.

This bundle of favourable statistics will probably turn out to be an election-winning combination, with the Opposition Social Democraic Party (SPD) making heavy weather of turning unemployment into a major election theme.

But the clouds are already starting to gather over the outlook for 1987. The US-Japanese economic package agreed at the end of October, under which Tokyo agreed an interest rate cut and a modest fiscal stimulus to boost faltering Japanese growth, may not be directly relevant to West Germany from the economic point of view.

Bonn officials underline that Germany has already been doing more than Japan to draw in imports and to correct imbalances in the world economy.

But, politically, the West German Government may now find it more difficult to resist calls from the US and other countries that it should relax somewhat the fiscal and monetary reins. This is especially because the external influences which have boosted this year's growth prospects will be flagging next year.

The implicit message delivered both to the Bonn Government and to the Bundesbank from the US is that, if Germany wants to keep up in 1987 this year's favourable increase in real domestic demand of around 4 per cent, then some stimulatory action will be necessary.

The Bundesbank is at present constrained by its overshot money stock target (see Schlesinger profile) from cutting its discount and Lombard rates, set at 3.5 per cent and 5.5 per cent respectively. Although the central bank is keeping an interest rate cut up its sleeve for next year, the main onus is falling on Mr Stoltenberg to take some action on the fiscal side.

The threat on the foreign exchange market front is clear. Although the Bundesbank makes out a good case for its argument that the foreign trade surplus, in real terms, has already been declining for several months, in nominal terms the surplus continues to grow.

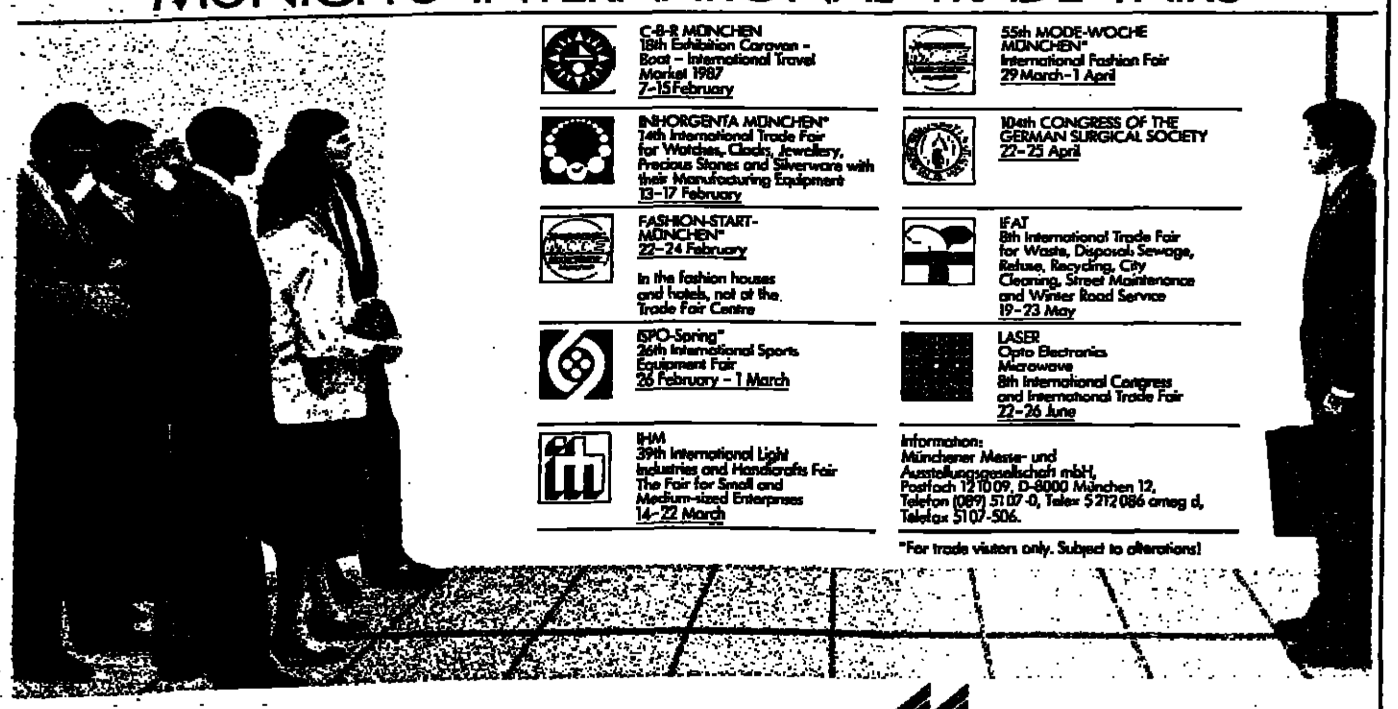
This is because the drastic cheapening of imports in D-mark terms has swamped the fall in import volumes caused by the currency's appreciation.

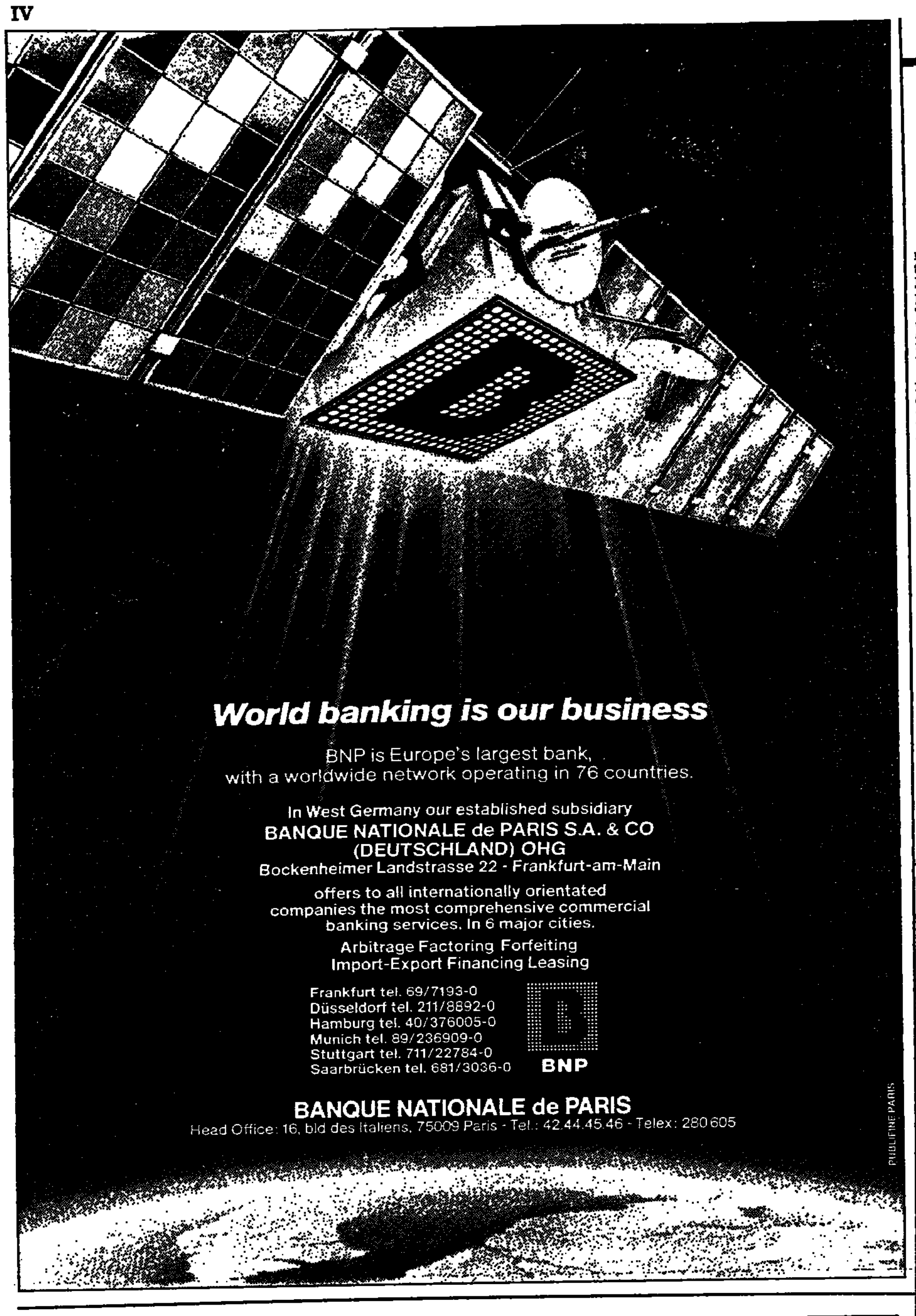
The effect is due to continue next year, so that the five institutes are forecasting that this year's record current account surplus of DM 70bn could fall only by about DM 10bn in 1987. The Bundesbank believes it will fall faster. But the surplus is still likely to be large enough for the currency markets to push through a further appreciation of the D-mark in the event that domestic growth starts to falter.

The German dilemma therefore could be severe next year. The Government may face the choice either of loosening its fiscal stance, probably through bringing forward tax cuts already planned for 1988, or else of accepting further problems for export industries as a result of a further D-mark rise.

Much will depend on how far the US makes a move in the next few months towards correcting its excessive budget and current account deficits. If the US makes strides towards adjustment, Mr Stoltenberg next spring will have much more leeway to announce tax cuts as part of a generally more co-operative approach to managing the world economy.

David Marsh





The Neue Heimat Affair

A nasty jolt for banks

As the banks head for another record year, rather more of their attention than they would like has been taken up by a peculiarly domestic problem which the outside world may well find hard to understand. It is called Neue Heimat (New Home).

Within West Germany its repercussions have been dramatic. Sold by the trade unions to an almost unknown West Berlin bakery owner for a nominal DM1, the housing company owes banks around DM12bn and has total liabilities of over DM17bn. Unhappy about the sale, banks forced the unions to take it back.

Because of its huge debt burden, its murky scandal-flecked past, and its atrocious business record, the heavily loss-making Neue Heimat has occupied hours of broadcast discussion and columns of print. Just over 150 banks and credit institutions, including some from abroad, have lent money to the company.

Neue Heimat, which rents out homes at cheap rates, is not a big industrial or financial corporation, with many thousands of employees and strong foreign business links. It is and example of Gemeinwirtschaft, the post-war German concept of capitalism with a human and acceptable face.

That notion is now in tatters. Not only were creditor banks of Neue Heimat unconvinced that Mr Horst Schiesser, the bakery owner, could turn it round, but one of Germany's biggest financial institutions has also had to be put up for sale as a result of the affair.

Because of the financial effect on them of the Neue Heimat affair, the unions decided to sell Bank für Gemeinwirtschaft (BfG), the 12th biggest in the country and the fifth biggest in non-state hands, to an insurance group. This in turn has raised the prospect of a greater overlap between the activities of banks and insurers.

The proposed takeover of 51 per cent of BfG by the Aachener und Münchener insurance group is certainly the biggest advance into banking by a German insurer. More significantly, it is the largest acquisition in the country's financial services industry.

The unions also own the Volksfürsorge concern, Germany's third-largest life insurer. This they may have to sell or float off now that their postwar experiment with "humane" capitalism has turned out to be so costly and embarrassing.

Despite the headaches caused by Neue Heimat for big and small German banks, and some foreign ones, the financial system is unlikely to suffer real or permanent damage in the country. Many of the loans are secured against property assets and the whole debt is spread across many institutions.

"For the banks, therefore, there will be no danger," said Mr Hanns Christian Schroeder-Hohenwarth, president of the German banking association, in a recent interview.

Nonetheless, Neue Heimat has given many banks a nasty jolt, though the big institutions are well secured against shocks at home and abroad. They have huge hidden reserves, to which they have added voluminously as profits have surged ahead.

The background to these rising prifits has been a stable, export-led economy, low (and currently zero) inflation, falling interest rates, and the decline in oil prices. West Germany's attraction, as a financial centre, based in Frankfurt, has also increased.

Liberalising measures by the Bundesbank have encouraged more foreign banks to go to Frankfurt to graze in the same pastures as their German rivals. The stock market also enjoyed a powerful four-year advance until last April, and bankers and investors are now waiting to see when, or if, this will be resumed.

With more foreign competition the banks will not find business quite so easy in future. There are doubts, moreover, about just how smoothly the hoped-for shift in economic demand from the export to the domestic market can be achieved as the strength of the Deutschemark starts to inhibit foreign sales of German goods.

But the banks are working from a position of strength. Of the big three, Deutsche Bank last year raised its group operating profits to DM4bn for the first time, Dresden Bank to more than DM2.5bn, and Commerzbank to DM1.5bn.

Showing this year's positive trend, the smaller Berliner Handels-und Frankfurter Bank (BHF-Bank) reported a 30 per cent jump in profits in the first eight months of this year, helped by a slightly higher interest rate margin and buoyant securities business.

Because of their innate German caution and suspicions of excessive ambition or showiness, the banks have not cut quite such a dash on the international scene as some of their foreign competitors.

That seems to be changing however. Long active in Luxembourg, where they went to escape the Bundesbank's restrictive minimum reserve rules, they have been spreading further afield. Deutsche Bank has shifted all its non-Deutschemark Eurobond business from Frankfurt to London, thus nudging the Bundesbank into speeding up liberalisation in Germany.

This year the banks have been Tokyo-bound, though the Japanese authorities have not exactly put out the red carpet for them to operate in the lucrative securities business there. In turn, the Bundesbank has not allowed Japanese banks to lead-manage D-mark Eurobond issues. This reciprocal awkwardness is being gradually resolved, however.

Andrew Fisher

Hectic trading on the floor of the Frankfurt bourse which is by far the largest of the eight German exchanges. Moves are afoot to streamline the system.

The Deutschemark Eurobond Market

Big names in banking scene

KARL MIESEL is a name to reckon with on the West German banking scene. So is Friedrich Hoyos. Both are leading figures in the Deutschemark Eurobond market.

They do not work for a big German bank. They left Deutsche Bank to join the rival CSFB-Effectenbank, which is by far the most prominent forign lead manager of Deutschemark issues.

Increasing competition for market experts has pushed salaries up sharply, though certainly not to the excessive levels of Big Bang London. In the past year or so pay has doubled for top securities traders to between DM 150,000 ($73,000) and DM 200,000. Apart from Deutsche Bank, other German institutions have had experts poached away by Swiss and US banks.

Since German fringe benefits, and social security costs are high, banks in Frankfurt are seeing their staffing costs shoot up rapidly.

Mr Miesel, sometimes known as "Der Kaiser," helped to plan Deutsche Bank's capital markets operation in London, which opened a year ago. But he wanted more freedom for manoeuvre in the Eurobond sector than the big bank was prepared to allow him, so he decided to go.

Since the Bundesbank allowed foreign banks to lead-manage Deutschemark bond issues, activities of foreign banks in West Germany have increased rapidly. Apart from CSFB-Effectenbank, part of Crédit Suisse of Zürich, the other two big Swiss banks—Schweizerische Bankgesellschaft (UBS) and Schweizerischer Bankverein—are also well established in Frankfurt.

Crédit Suisse moved energetically into Frankfurt by buying the small Grundig Bank in Bavaria and then aquiring Effectenbank-Warburg and putting them together. It thus acted in anticipation of the Bundesbank's liberalising moves.

The bank has since won about 9 per cent of the Deutschemark Euobond new issues market. Deutsche Bank still dominates with 45 per cent, more than the next four competitors put together.

Although it is less important than London as a secondary market, Frankfurt is strengthening its position as a primary source of capital for international borrowers. The strong Deutschemark is a key attraction, as borrowers bet on the possibility that it will not be so strong when their loans mature.

The move by foreign banks into Frankfurt, with US houses also crowding in, has been met with resignation rather than hostility by the big German banks. After the liberalisation by the Bundesbank the invasion was seen as inevitable.

As in London, the Frankfurt market expects a shake-out when business settles down and competent traders are no longer unable to command such a high premium. But for the present, experience and opportunism are in demand. As a bond manager at one of the Swiss banks in Frankfurt said recently: "They (the big German banks) can work with their muscles. We have to work with our brains."

A.F.

Financial Markets

Surge of new issues

WEST GERMAN capital and stock markets have not experienced anything approaching the big bang, but changes are definitely under way. Less explosive than in London, their repercussions are nonetheless important.

It was about a year ago that the German capital markets were thrown wider open to outsiders. Through the liberalising influence of the Bundesbank, foreign banks—apart from the Japanese, caugt in a reciprocity argument over their own more restricted market—can now lead-manage D-mark bond issues.

A number have done so, with Swiss leading the way and US banks also pushing their way onto the Frankfurt scene. Apart from a few tidying up measures, most bankers operating in Germany do not see scope for a further wave of liberalisation on the bond market. Mr Helmut Schlesinger, vice president of the Bundesbank, as good as told them this autumn that not much more would be done.

Enough had occurred in the past 10 to 15 years to render further deregulation superfluous, he commented, stressing that there was no thought of taking any steps that might endanger the financial and currency stability on which Germany's capital market depended for their attraction.

Co-incidentally, a seminar on German capital markets was held in Frankfurt shortly before detonation day in London's stock market. Big bang was not the theme, but not surprisingly took up much of the discussion.

The bankers on the panel concluded that Big Bang would not have a great effect on the German markets, though there was no room for complacency. Certainly, said Mr Wolfgang Roeller, chairman of Dresdner Bank, moves to streamline Germany's stock markets—there are actually eight—should be speeded up.

Otherwise, he said, Germany could lose out. Moves to tighten up and modernise the organisation of the bourses, of which Frankfurt is by far the biggest with Duesseldorf in second place, are taking place. A new association has been set up to push this process ahead.

One step that bankers are agreed on is the abolition of the Boersenumsatzsteuer, or stock exchange turnover tax. This tends to restrict secondary trading, which thus flows abroad. It seems likely that the Bonn Government will do away with the tax next year.

One aspect of the London market revolution that Mr Roeller and other speakers, including Mr F. Wilhelm Christians, co-chairman of Deutsche Bank, agreed on was that it vindicated the German universal banking system, in which institutions combine a variety of lending, savings, and securities functions, acting as both commercial and investment banks.

Thus there was little talk of reform. Much of the discussion centred on the stock market and the flood of new companies that have entered it in the past few years through new issues, as share prices soared in a four-year ascent.

That bull market tailed off after April this year and prices have mostly drifted since then. But Mr Christians thought the surge of new isssues would continue and not just be a short-lived fad.

It was part of the role of the universal bank, he said, to nurse new companies onto the market and help fulfil their needs for new capital. Medium-sized and family firms make up a large slice of the economy and many now have a large and previously neglected appetite for equity.

Much of the buying of German shares has come from abroad. In turnover terms, German stock exchanges were third behind New York and Tokyo last year, as their Cinderella image was put even further behind them.

As exports are affected more strongly by the weaker dollar, market attention has switched to stocks with a strong domestic flavour, such as stores. It remains to be seen whether the bull market will resume.

Andrew Fisher

"The time is five to twelve" says the newspaper headline in this cartoon used by the ecologists' movement to illustrate the belief that time is running out over environmental and energy issues. Right: Roland Vogt, a Greens Party Federal MP is bundled away by police during a protest against a planned nuclear waste reprocessing plant at Wackersdorf.

Nuclear energy

Public opinion deeply split on safety issue

THE NATION is split more than any other in the West over the question of whether nuclear power is a blessing or a curse.

It started to build up its civil nuclear skills during the 1950s, supported by German physicists like Otto Hahn, the first man to split the atom. That was in 1938.

Nearly half a century later the nation which gave birth to nuclear technology includes a large body of public opinion which wants to send it to its grave.

The fierce debate over the safety of nuclear power, sharpened acutely by the Chernobyl reactor accident in the Soviet Union last April, is one of the dominating issues in the campaign leading up to the January 1987 election.

The controversy has become a proxy for much deeper dissensions over the whole direction of West German society. Overlaid by other themes ranging from law and order and civil rights to the basic question of competition policy in the energy business, the debate has become both a challenge for West German democracy and a sign of its vigour.

The vast majority of opponents use peaceful means. But violent demonstrations against nuclear power plants—a feature of West German life for a decade now—and the police and Government authorities' own efforts to clamp down on the troublemakers, combined with the general upsurge this year in terrorist activity, have led to strong feelings and a soul-searching not seen in other countries.

Debate has centred not only on the health risks related to nuclear power but also on the costs and inconveniences, in economic, environmental and technological terms, of other sources of energy.

The many books and pamphlets, propositions and counter-propositions published on the subject in the months since the Chernobyl disaster shows that public discussion on the matter is on an incomparably higher level than in neighbouring France.

But this if anything makes the nuclear Gordian knot more than less difficult to cut. The approaching election has polarised the main political groupings between the pro-nuclear conservative Christian Democrat (CDU) and Christian Social, (CSU) parties on the one hand and the opposition Social Democrat Party (SPD), which has adopted a policy of phasing out nuclear power over the next 10 years, on the other.

The SPD—30 years ago an enthusiastic supporter of nuclear power—has been becoming progressively more doubtful over the past 10 years. The party has been forced to join the anti-nuclear camp partly as a result of the increasing popularity on its left fringe of the Green ecology party campaigning for "switching off" without delay.

It is fair to say, however, that whichever party is in power after January will have to make up its mind on some tricky nuclear issues which will entail compromises with policies outlined during the election campaign.

Nuclear energy made up just over 30 per cent of electricity output in West Germany last year—slightly less than the proportion from anthracite-burning power stations and accounting for nearly 11 per cent of total primary energy consumption.

Since the Chernobyl disaster the CDU-led Bonn coalition has firmly rejected any question of turning back from nuclear energy. Mr Walter Wallmann, the new Environment Minister who is responsible for reactor safety, takes delight in spelling out that out of the country's 20 nuclear power stations 17 were started up under SPD-led governments.

Mr Wallmann, whose crisis-management appointment last summer seems to have been one of the most astute political moves made by the Kohl administration, has assembled a set of clearly expressed arguments to embarrass the anti-nuclear campaigners.

Mr Wallmann is also supervising a costly and thorough move, made necessary partly because of the continual lobbying by the Greens over the past few years, to clean up coal-fired power stations through the fitting of chemical scrubbers and filters so as to reduce the emission of sulphur and nitrogen oxides as well as dust.

He says that any reduction of dependence on nuclear energy would burden the country with additional environmental problems and raise costs for households and industry.

The Government is also sticking strongly to the line that West Germany, with nuclear power plants operative in both Western and Eastern Europe, is vulnerable to the potential hazards of radiation whether or not it keep its own.

It has argued that a move away from nuclear power would not only damage the country's image as Europe's industrial giant but would also give it even less influence in trying to win international acceptance for uniform safety standards and accident notification procedures.

The opposition claims that the so-called economic advantages of nuclear energy disappear when the true costs of waste disposal, eventual plant dismantling and safety insurance are taken into account. These considerations, it is true, are either not included in the cost equations worked out by the pro-nuclear lobby or are hidden by a welter of public subsidies.

The critics also argue that West Germany could drastically lower its overall energy consumption over the next 15 years by applying more efficient energy-saving measures—including higher prices.

Two independent reports recently commissioned by the Government to examine the economic consequences of any phasing-out of nuclear power have concluded that this would certainly mean additional costs and disadvantages but that they would not be grave enough to cast serious doubts on the validity of such action.

None the less, the Government, in its Energy Report published in September, stated firmly the view that in spite of the need for greater attention to safety since the Chernobyl disaster nuclear power "now and in the politically foreseeable future (brings) advantages for growth, prosperity, competitiveness, employment and the environment."

Despite the Government's apparent self-confidence, and the likelihood that a CDU-led administration will remain in power after the January poll, it is certain that nuclear energy will remain a subject of strong controversy for a long time to come.

David Marsh

PROFILE: DR HELMUT SCHLESINGER, DEPUTY GOVERNOR OF THE BUNDESBANK

A discreet monetary technocrat

IT MAY be going a little too far to say that Dr Helmut Schlesinger is the uncrowned head of the Bundesbank. But the central bank's 62-year-old chief economist and deputy governor, generally little known outside West Germany, exerts a degree of influence over the nation's financial affairs out of all proportion to his manner as a discreet and diffident monetary technocrat.

Dr Schlesinger, who joined the Bundesbank in 1952, is a symbol of stability at the constitutionally-independent central bank—and the man who, more than anyone else, represents its unswerving commitment to defending the integrity, not to say the sanctity, of the D-Mark.

During the last few months, Mr Karl Otto Poehl, the governor, has attracted criticism from some quarters of the US government for refusing to bow to pressure to cut German interest rates.

Although Mr Poehl and Dr Schlesinger are now of the same opinion on the undesirability of any loosening of the monetary reins, Dr Schlesinger has played a leading role in stiffening the central bank's resolve over the matter.

Mr Poehl, well-known abroad, who now, after nearly seven years in the job, combines the hubris—and girth—of a traditional central banker with the ability to crack irreverent jokes, is the Bundesbank's Foreign Minister.

Dr Schlesinger is firmly in charge of affairs at home. And, in the Bundesbank's eternal dilemma between domestic and international affairs, the Interior Minister is a steadfast believer that monetary policy must be geared above all to achieving stability at home rather than to winning friends in the US administration.

This means that, in spite of Germany's move to negative inflation this year, Dr Schlesinger has been one of the first to register anxiety at the current overshooting of the Bundesbank's target for growth of the money stock, the main German measure of the money supply.

Even though part of the rise is certainly due to greater preference of investors for liquidity at a time when (because of the drop in inflation) bank deposits sits and securities are offering low nominal yields, this year's bulge in the money stock is interpreted as storing up potential inflationary trouble for

Dr Helmut Schlesinger: a symbol of stability at the constitutionally-independent central bank.

coming years.

With the economic upswing in the Federal Republic persisting since the summer, and following the US Treasury's unwillingness to agree to a "deal" formerly discussed with Mr Poehl committing US foreign exchange reserves to defending the dollar, the Bundesbank now says that any reason to cut interest rates, at least for the time being, has vanished.

Dr Schlesinger stresses that, as just one of the Bundesbank's 17-member policy-making council (composed of the presidents of the state or Laender central banks as well as of the Bundesbank's directorate), his voting share is just 5.8 per cent.

None the less, the Schlesinger doctrine of "stability first" has without doubt crucially shaped the views and policy actions of Mr Poehl during the last few years.

This was particularly so during the difficult early years of the 1980s when, confronted with unusual weakness of the D-Mark and a German current account deficit, the Bundesbank ran into strong criticism from the Schmidt government by repeatedly hoisting interest rates.

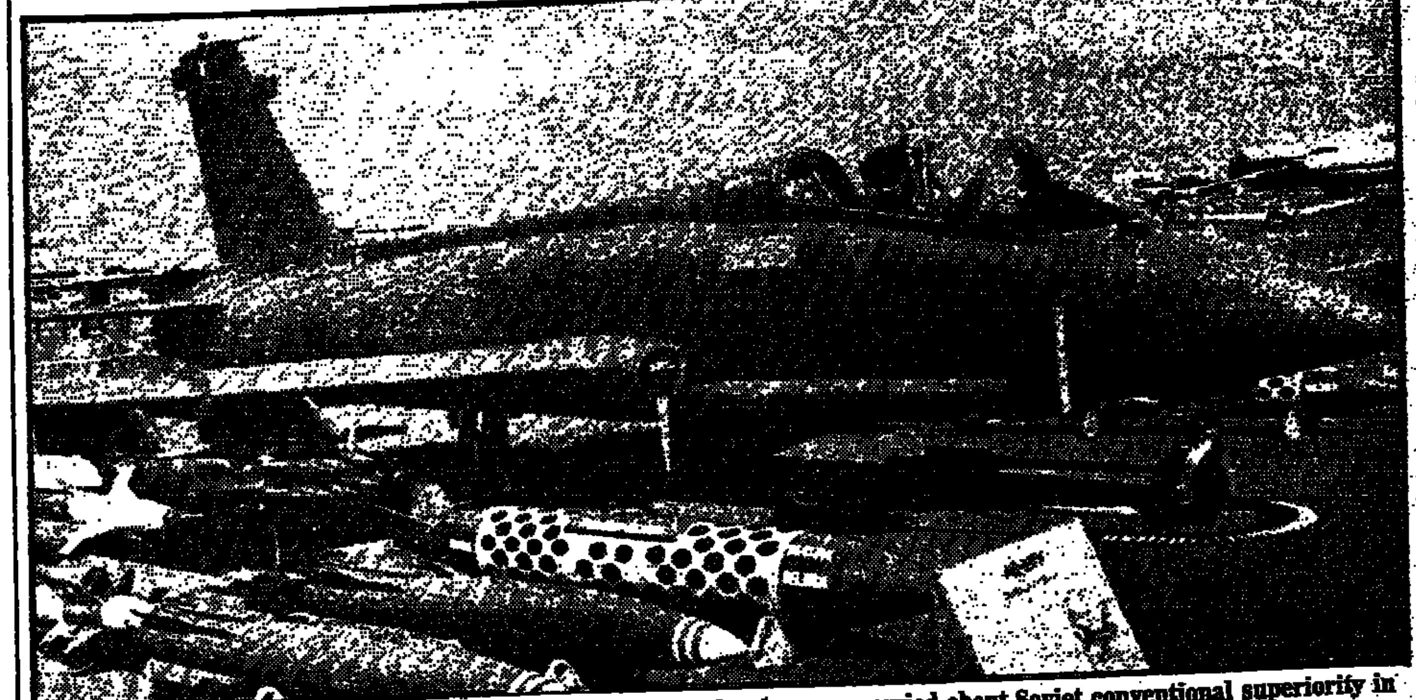
Indeed, there are some Opposition Social Democrat (SPD) politicians such as Mr Wolfgang Roth, the party's economic spokesman, who accuse the Bundesbank in general and Dr Schlesinger in particular, of being indirectly responsible for the Schmidt government's downfall in 1982.

Dr Schlesinger joined the Bundesbank a year after the late Dr Otmar Emminger, the Bundesbank's former governor, who was one of the youthful Schlesinger's lecturers at Munich University.

During Dr Emminger's years as the Bundesbank's main international monetary ambassador, the two forced a close relationship, although the peppery Dr Emminger was always in the front seat.

The spirit of the tandem lives on, Dr Schlesinger believes that whenever the West Germans have been forced into more expansionary economic action by outside circumstances—for instance, the (relatively small) stimulus decided after the Bonn summit in 1978—the consequences have worked out badly for domestic inflation and growth. That explains why, even with West German prices likely to rise by no more than 1 or 2 per cent next year, the Bundesbank under the "stability first" doctrine is behaving as though it were preparing for an inflationary surge.

David Marsh



The MB 339K ground attack aircraft: the Bonn Government has become worried about Soviet conventional superiority in Europe

Defence Issues

Burden of non-nuclear army

MR MANFRED WOERNER, the German Defence Minister, is facing up to a string of challenges ranging from President Reagan's plans to shoot down missiles in space to German women's proclivity to taking the birth control pill.

With the largest active service army in Western Europe—495,000 troops—and a defence budget totalling DM 51.3bn next year or 19 per cent of government spending, the country is also bearing a sizeable share of overall Nato defence responsibilities.

Yet the diverse pressures flowing from West Germany's exposed position on the East-West strategic map are storing up some tough defence policy questions in coming years.

For a nation which has forsworn nationalistic militarism, West Germany faces the mighty problem of keeping up to scratch a huge conventional army in a world where—given the current direction of US-Soviet arms control talks—less reliance may be placed in future on nuclear deterrence.

The country is confronted with a declining birth rate, likely to complicate greatly the task of drafting conscripts in the 1990s. The centre-Right coalition government is also having to live with an electorate where a vocal minority, partly supported by policies of the Opposition Social Democratic Party (SPD), is showing clear tendencies towards neutralism.

West Germany's problem is that, in the chess game between Moscow and Washington over nuclear disarmament, it is both a pawn and also the board on which any European military skirmish between the superpowers would be played out.

Mr Helmut Kohl, the Chancellor, has stood up stoutly in defence of President Reagan's negotiating strategy in the current round of talks with the Soviet Union. And Mr Woerner, at the same time as trying to build up improved links with France in the three areas of strategy, troop training and deployment, and armaments production, now ranks as one of the firmest supporters of the Atlantic alliance in the Bonn government.

The German chancellor in particular has held on steadfastly to American coat-tails over the Strategic Defence Initiative research programme designed to come up with a space-based anti-nuclear defence system.

This has been in the teeth of criticism from the SPD that SDI is both destabilising and would not work—and, at last month's Reykjavik talks, has held up progress towards a deal on eliminating medium-range nuclear missiles in Europe.

Mr Kohl argues, like the Americans, that without SDI the Soviet Union would not have been ready to lay down disarmament proposals on the negotiating table. Putting a generally optimistic gloss on overall chances for East-West arms reductions, Mr Kohl is calling for patience.

In the Bundestag earlier this month, he clung to the view that a breakthrough in cutting both nuclear and chemical forces was possible within the near future—in spite of the Soviet Union's insistence, for the moment at least, that no deal on cutting medium-range weapons can be possible without US concessions over SDI.

The German position on the medium-range nuclear missiles question is indeed ironic. It also once again exposes the perpetual German dilemma. Whether the nuclear threshold in Europe is lowered or raised, Germany feels threatened—in the former case, because it believes limited nuclear conflict could break out over German soil, in the latter (a process which seems to be in train at the moment) because the country fears it could become the theatre for another conventional war.

Mr Kohl's administration, after all, in its first year of power in 1983, had to weather a fierce storm over the deployment in Germany of US Pershing and cruise missiles—a product of the Nato "two track" decision in 1979 to deploy the weapons unless the Soviet Union cut back its stock of SS-20s.

Manfred Woerner, West German Defence Minister: facing difficult decisions

The momentum built up in Reykjavik (even if currently stalled by US-Soviet disagreement over SDI) is now moving in the direction of both Soviet and US intermediate range missiles being dismantled. Mr Woerner during the 1983 row over deployment, once said he would crawl on his knees from his south German constituency to Bonn if it would help to abolish medium-range missiles.

But now that deep cuts both in intermediate-range and strategic nuclear missiles in the next few years, have become a possibility, the Bonn Government has become worried both about Soviet conventional superiority in Europe and also about the short range nuclear weapons stationed in Eastern Europe which would not be included in any arms control package.

Chancellor Kohl in his Bundestag speech this month said the prospect of a "zero-solution" over intermediate nuclear forces in Europe was "acceptable" to Bonn. But he put all his weight behind efforts to reduce the Soviet Union's conventional force superiority—underlining that "on no account should a conventional war in Europe again become feasible and more probable."

Germany in the last few weeks has insisted on the need for France to take part in discussions over the conventional forces imbalance in Europe. This is a reflection both of the increasing closing of ranks between Bonn and Paris on defence strategy—and also of the German belief that its own ability to maintain adequate conventional forces in coming years will be severely strained.

Mr Woerner, after a string of controversies during his early period of Ministerial office now looks fairly secure of being kept on in the job should the coalition win the elections in January. He has pushed through a politically tough move to increase the period of military service from 15 to 18 months to anticipate the falling number of young men of call-up age, likely to be a problem above all in the 1990s.

No other western country has taken such a step, but it is probably not the last unpopular defence measure Germany may have to take to keep up its Nato responsibilities.

General Wolfgang Altenburg, the well-respected former General Inspector of the German army, who left his post at the beginning of October to become head of Nato's military committee in Brussels, used his last press conference in Bonn in September to launch an "appeal" to politicians on the need for more government spending on conventional defence.

This shoots directly across the bows of the SPD's latest proposals, part of its overall initiative of holding out an olive branch to Moscow, to make the German army "structurally incapable of attack."

The Altenburg line also does not necessarily tie in with Mr Kohl's own election campaign slogan of peace through "less weapons." Given the uneasy and meandering paradoxes associated with arms control proposals, the current round of East-West discussions may herald more tortured decisions for Bonn over defence policy, not less, in coming years.

David Marsh

Inter-German relations

Compromise on Asian refugees

REMARKS BY East Germany's leader, Mr Erich Honecker at the autumn Leipzig trade fair, caused West Germany's politicians to sit up and take notice.

"Continuity is important for the future — for good relations between the German Democratic Republic and the Federal Republic of Germany," he said.

Mr Honecker spoke in the presence of West Germany's Permanent Representative in East Germany, Dr Hans Otto Braeutigam at the exhibit of a major West German chemicals company.

"And if this principle prevails on both sides — as we assume it does — we will be able to solve all the other problems as well. Just as our companies have solved them," he added, with emphasis.

Mr Honecker's remarks were borne out more quickly than anyone present had thought likely. Shortly afterwards East Germany said it would halt the flood of Third World asylum-seekers entering West Berlin from East Berlin's airport. The year's most vexing problem in relations between East and West Germany was thus solved by an East-West German compromise.

The most remarkable aspect of the affair was that the question of "who conceded what" in order to reach a solution was no longer raised in public. It was assumed that the other side would express its appreciation later in order not to show the slightest linkage.

East Germany this year will allow some 200,000 of its citizens below retirement age to visit West German relatives and friends. This was more than at any time since the Berlin Wall was built and three times the number last year. It was one of the most promising developments in a year which also saw the 25th anniversary last August of the building of the Wall.

The decision to allow younger East Germans to visit the West was taken last year in response to earlier West German economic and political favours to East Germany. But the flow of visitors westwards served an internal purpose as well.

The lack of travel to the West for younger East Germans (retired persons were long able to travel) is one of the most widely resented aspects of life in East Germany. It was largely been responsible for the growing number of East Germans applying to emigrate to West Germany.

Ironically, Mr Honecker himself was unable to visit West Germany because of continued Soviet opposition to his travel plans.

Moscow, in the early 1980s, fully approved of Mr Honecker's opening to West Germany which it hoped would prevent Bonn from agreeing to the deployment of US medium-range missiles on West German territory. But to no avail. Mr Honecker was only successful in convincing the opposition Social Democrats (SPD) of the desirability of nuclear and chemical free zones in central Europe. It was increasingly difficult for Moscow to justify the growing ties between East and West Germany which have burgeoned into a network of inter-dependency.

Despite Soviet suspicions, however, inter-German contacts have not been affected by the latest chilly blasts in relations between the Soviet Union and West Germany.

Reciprocal visits by ministers to East Berlin and Bonn are now almost routine events. For the first time, East and West German cities, Saarlouis in West German and Eisenhuettenstadt in the East — were twinned. They are to be followed by a number of other partnerships.

A recent evening of discussion at the West Germany Permanent Mission in East Berlin illustrated the new quality of East-West German ties. Senior members of the ruling East German Politburo came to hear a speech on "securing peace in Europe" by Carl-Friedrich von Weizsaecker, the brother of the West German president.

Mr Hermann Axen, the chief adviser to Mr Honecker on international relations, took an active part in the ensuing discussion. He said both sides were "close to each other" in their desire to overcome the "institution of war" in the nuclear age. But there were differences between them, he noted, over the West's approach of "first peace, then disarmament."

Negotiations between Bonn and East Berlin are well advanced to conclude agreements on environmental protection as well as science and technology. In both cases the inclusion of West Berlin was one of the major hurdles to be overcome. Under the 1971 Four-Power Accord, West Berlin may not be governed by Bonn which however may represent the city's interest abroad.

As in earlier years when political links were virtually non-existent, trade between the two Germanies remained of enormous significance. This is especially so for East Germany which conducts 10 per cent of its total trade with West Germany.

The advantage for East Germany is that trading with West Germany, which is based on a barter-like clearing system, does not involve expenditures of scarce hard currency. It also provides East German industry and agriculture with a reliable tariff-free market for products — such as refined oil, pork and textiles — which would otherwise be difficult to sell in the West.

West European producers regularly accuse the East Germans of smuggling East German products and those of other Comecon countries into the EEC through the West German loophole. But in practice this is exceedingly rare.

One unique feature of intra-German trade, the interest free "swing" credit, long served to stimulate West German sales to East Germany. The "swing" however which was raised to DM 850m annually and which allows East Germany to overdraw its account when purchasing West German goods, has been underutilised by the East Germans in recent years.

Trade between the two Germanies in the first half of this year contracted for the first time in years. This was largely a result of falling oil prices which hit West German sales of crude oil to East Germany and East German counterdeliveries of oil products to West Berlin — but only in value, not in quantity.

West German sales to East Germany thus fell 8 per cent to DM 3.7bn while East German deliveries to East Germany were down 5 per cent to DM 3.7bn. Overall, trade between the two Germanies is expected to fall below DM 16bn this year after hitting a record DM 16.7bn in 1985.

West German specialists in trade with East Germany say it will expand only by using more sophisticated forms of economic co-operation such as joint ventures. East Berlin, which was worried about letting its companies get too close to West German ones, was until now opposed. But recent statements from Moscow indicating approval of joint ventures for Soviet and Western companies are likely to leave their mark in East Berlin.

Leslie Colitt

in Berlin

Lufthansa today:

Some things changed at Lufthansa on November 1st, 1986. Some things didn't.

Lufthansa's Business Class is new. A change for the better for everyone going places on business. Use our Advance Seat Reservation and reserve the seat you want on any international route at normal fares when you book your flight. Inside our aircraft, one look at our new seats will tell you you'll be sitting more comfortably now, with a roomy seat-pitch of 34 inches (86 cm).

If you have a busy schedule, you'll especially appreciate our new Business Class hospitality. We'll serve you a complete menu whatever the time of day.

That's Lufthansa's new way to fly in Europe. And as always when flying Lufthansa, you'll still have excellent connections to almost anywhere in the world. You'll still be punctual and reliable, because we're punctual and reliable. And you'll still be flying with one of the most modern fleets in the world. Welcome on board.

Lufthansa

The Motor Industry

Heading for another record year

SLEEK, ROOMY and very expensive, BMW's new 7 model at the top of its range is a car to turn heads. So, too, is the latest Jaguar, with which the Munich-based BMW is not exactly in competition, but which operates in the same exclusive end of the automobile league and has received favourable comment in Germany.

Attractive though these and other classy models, such as Daimler's Mercedes 190 may be, however, it is mostly the humbler Volkswagens, Opels and Fords, as well as foreign models, which are making the running in Germany's car market.

For the motor industry is booming, with a record year already assured in 1986 and another in prospect for 1987.' Exports have also held up reasonably well, though as with other key German industries, the slide in the value of the dollar is causing headaches.

After notching up a 10 per cent rise in output last year to 4.17m cars, a figure which beat the previous record of 1979, the industry is looking for a further slight rise to around 4.3m in 1986.

Although the German car market is fairly well saturated—since must people who can afford a car already own one or even two—it is home sales which are now providing the growth for the industry.

Thus, Germany's autobahns, where many drivers travel at hair-raising speeds in the absence of a speed limit, are becoming more and more crowded. Increasingly, though, it is Japanese cars which are catching the imagination of German drivers.

Not surprisingly, there has been somewhat of an outcry in the German motor industry about the surge in Japanese car sales. Total imports account for about 30 per cent of the market, with Japan now above 15 per cent.

While the industry has not asked the Government to take any protectionist measures and has made clear that it does not intend to do so, strong objections have been voiced at the speed at which Japanese cars have been entering the Federal Republic.

Mr Hanns-Ermann Schoenbeck, president of the German Automobile Industry Association (VDA) and a former BMW executive, said a few weeks ago that the present high Japanese share of the German market could provoke calls for action, though no special action was requested from Bonn.

More recently, Mr Eberhard von Kuenheim, the chairman of BMW, also criticised the Japanese, not so much for selling heavily into Germany—BMWs are not really under threat from Japanese products—but for not opening their own doors wide enough.

He hit out at non-tariff barriers in Japan, citing the time-consuming registration process there for imported cars and the higher insurance premiums levied on them.

"We don't ask for protectionism," he said. "We accept any competition, including Japanese."

By the standards of most non-Japanese manufacturers, BMW is very successful in Japan, where its fast, elegant cars are now the top-selling imports. Sales of BMWs in Japan raced ahead by 35 per cent in the first nine months of 1986 to around 11,000 cars.

Mr von Kuenheim called for joint EEC action aimed at prising the Japanese car market a little more widely open. Whatever its efforts in Japan, though, it is the US and Europe which provide the biggest markets for BMW and other German companies.

Porsche, which sells half its output to the US, expects future sales to North America to be particularly affected by the lower value of the dollar. Other companies also expect to struggle. But total German car exports have dropped only slightly so far this year: in the first nine months, they were 1 per cent lower at 1.9m cars.

Registrations this year in Germany are expected to show a rise of some 8 per cent to about 2.6m cars. To meet this steady demand and to remain innovative and competitive, German car makers are investing heavily. BMW has built a new plant, Daimler is planning one, and Opel is also boosting capacity. The autobahns are set to become even more congested.

Andrew Fisher

The motor industry notched up a 10 per cent rise in output last year. Above: wheel track test unit at a BMW production plant.

The European Airbus consortium has seen continuing success for its narrow-body A-320 airliner. In Munich, Northwest Airlines formalises the purchase of up to 100 Airbus A320s.

Aerospace

Industry under pressure

AT THE last Anglo-German Government discussions in Bonn in September, a senior German official, asked by Mrs Thatcher when the European Airbus was going to break even, recounted a black joke often cracked by Count Otto Lambsdorff, the former Economics Minister.

The date of break-even, he said, had a nasty habit of flying faster than the aircraft.

The remark illustrates some of the pressures facing both the Government and industry in general policies over aerospace. The Bonn coalition, in a reflection of generally increased political self-confidence, is determined that the aerospace sector, in both civilian and military areas, should be given more muscle.

In a range of areas, industry and government are working hand in hand to give Germany a larger share of a series of international projects, where Bonn in particular is trying to work out a more equal aerospace partnership with France.

But such prop projects cost a lot of money. And in areas like the European Airbus airliner manufacturing programme, tough US technological competition, the declining dollar and the fierceness of the sales battle on international markets are all progressively raising the stakes.

The problems and challenges confronting the aerospace sector have been underlined by the current difficulties of Messerschmitt Boelkow Blohm, the Munich-based company which is the country's leader in the industry.

MBB appears to be in some danger of sinking into the red in 1986, with the outlook not seen as positive in 1987 either. The poor commercial position in helicopters has been compounded by new worries over Airbus.

The consortium has seen continuing success for its narrow body A-320 airliner, underlined by the landmark order for this aircraft from North West Airlines of the US this autumn. But the last 18 months of sluggish sales of the wide body A-300 and A-310 jets, allied to competitive pressures stoked up by aggressive sales policies from Boeing and the falling dollar, are leading to a sharp increase in necessary loss provisions on Airbus business.

As in the space business, where Germany is making its participation in the French-led Hermes mini-space shuttle project conditional on winning a bigger slice of high-technology work, Bonn is aiming for a bigger decision-making share over the Airbus programme.

The Economics Ministry, which in all important liaison with the Finance Ministry controls the Airbus purse-strings, believes the chances for co-operation between Airbus and McDonnell Douglas of the US on a new generation of long-range airliners for the 1990s have not yet been exhausted.

Depending on how the Airbus sales outlook evolves in the next few months, that view may provide room for conflict both with France and with Mr Franz Josef Strauss, the Bavarian political leader and chairman of the Airbus supervisory board.

But Bonn's final decision on financing for the next A330 and A340 Airbus projects will have a political and economic significance which stretches a long way beyond the aerospace sector.

David Marsh

Chemicals

Lacklustre performance

WITH SALES down and output flat, the German chemical industry is having a lacklustre year. Nor is 1987 expected to be very much better. But the unexciting state of the industry was pushed into the background recently, when one of Germany's big three chemical groups announced the country's largest ever takeover.

The news that Hoechst was offering $2.85bn for Celanese Corporation of the US was a reaffirmation of the strong ambitions that German chemical companies have in North America, especially with a weak dollar making acquisitions financially more attractive.

Hoechst reckoned that it was not powerful enough in the US, the world's biggest chemical market, even though American Hoechst manages a turnover of $1.7bn a year. This compares with total group turnover of DM 43bn ($17.5bn at the end-1985 exchange rate) for last year.

BASF last year bought Inmont, a US maker of motor vehicle paints and printing inks, for $1bn, as well as paying out a more modest $135m for the interests of Celanese in composites, the strong and light materials which are in growing demand for both industrial and defence use.

Bayer, the other German chemical giant, is also thought to be on the lookout for a takeover target. It recently repurchased for $25m the right to use its own name in the US market.

The move by Hoechst raised some eyebrows, because it seemed to mark a reversal of the company's shift away from bulk and basic chemicals. Mr Wolfgang Hilger, the chairman, said, however, that Hoechst needed a stronger base in the US and that Celanese would be a valuable addition because of its position in advanced fibres and engineering plastics.

At the same time, he said worldwide profits of the group were down slightly this year, with a 1.9 per cent decline to DM 2.3bn in the first nine months, and that exports were being affected by the drop in the dollar.

Also, oil price declines had shown through in lower selling prices of petrochemical-based products. These had not been fully offset by the lower raw material and energy costs that the oil price fall had brought about.

It is a complaint that is being heard throughout the whole industry. In the first eight months of this year, turnover was down by nearly 6 per cent, with exports suffering because of the dollar's sharp fall.

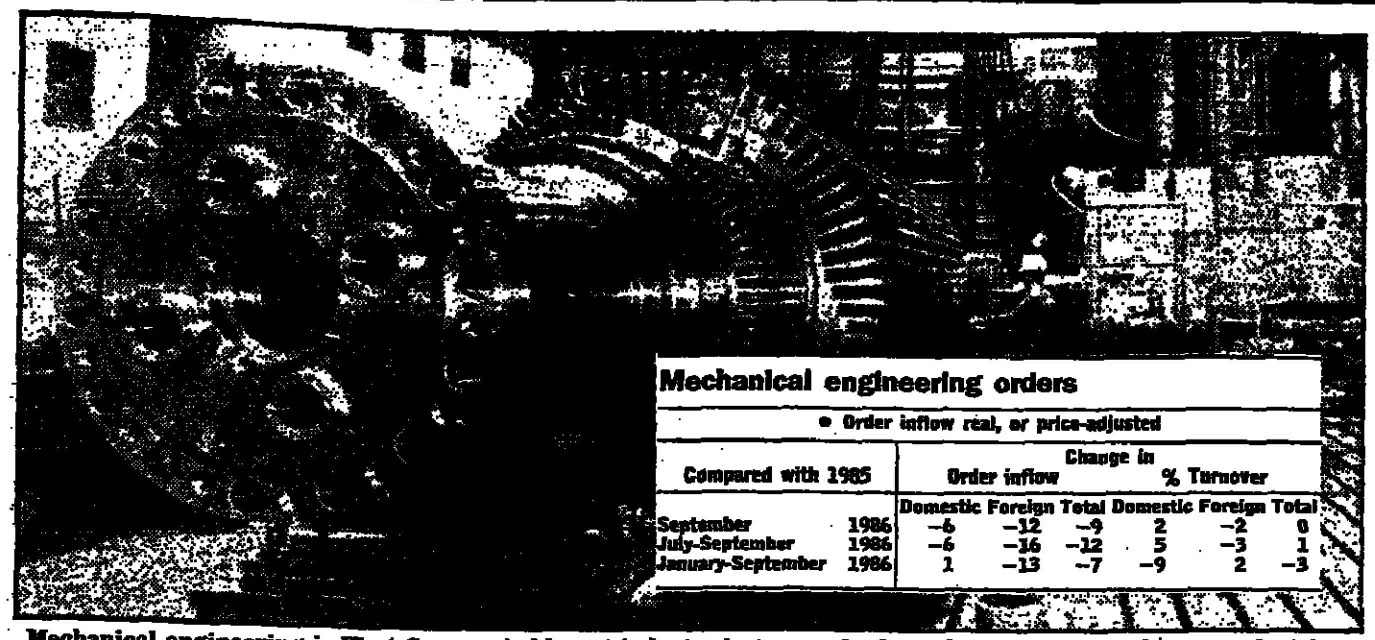
According to the country's chemical industry association, exports dropped by almost 7 per cent. Although domestic demand held up, this was not enough to offset the lower foreign sales, which made up just over half of the industry's total figure of DM 94.8bn ($46bn). Of this figure, exports accounted for DM 49bn.

Producer prices were down by about 5 per cent as a result of currency and oil price movements. The association was fairly confident about next year, at least expecting it to be no worse than 1985. But it was not too happy about the state of the US and Japanese economies.

For this year, profits are likely to be flat, or slightly down on last year. Hoechst reported a 1.9 per cent dip in its pre-tax profits for the first nine months to DM 2.3bn. In the next few months, domestic demand is expected to pick up, as Germany's economic thrust continues to shift from exports to the home market.

The industry is continuing to invest heavily, with total research and capital spending likely to be nearly 10 per cent ahead this year at around DM16bn. Jobs, too, have been on the increase. So far this year, the German chemical companies have raised their combined labour force by more than 10,000 people to 565,000.

Andrew Fisher



Mechanical engineering orders

● Order inflow real, or price-adjusted

Compared with 1985		Change in Order inflow			% Turnover		
		Domestic	Foreign	Total	Domestic	Foreign	Total
September	1986	−6	−12	−9	2	−2	0
July-September	1986	−6	−16	−12	5	−3	1
January-September	1986	1	−13	−7	−9	2	−3

Mechanical engineering is West Germany's biggest industry in terms of sales, jobs and exports. Above: an electricity generator rotor being manufactured at Kraftwerk Union.

Mechanical Engineering

Key indicator's downward trend

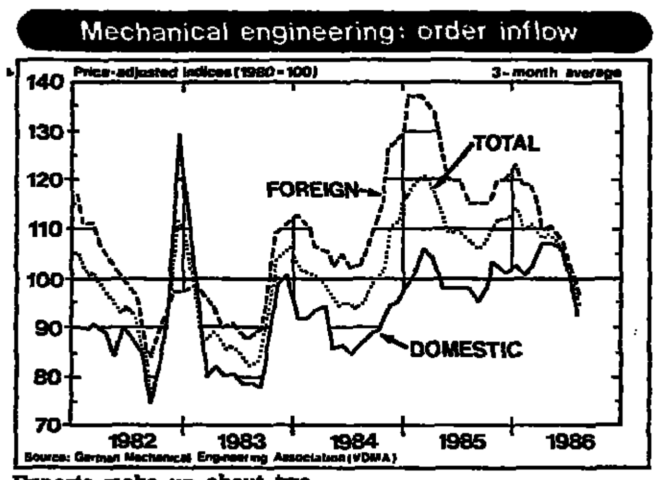
THE GRAPH alone tells the story. With a clear downward trend in both foreign and home orders in recent months, the heavily export-oriented mechanical engineering industry is moving into a testing period.

As Germany's biggest industry in terms of sales, jobs, and exports, its performance is closely watched as an indicator of the economy. For this year, growth in output of around 6 per cent is expected. But next year could see an advance of only half this level.

The assessment comes from the German Mechanical Engineering Industry Association (VDMA), which reported recently that new orders in September were some 9 per cent lower overall in real terms, incorporating a 12 per cent drop from abroad and one of 6 per cent at home.

For the first nine months, the trend was just as unappealing on the export front, with a drop of 13 per cent in the order inflow. Home orders, though, managed a tiny 1 per cent improvement, with the total new order bookings down by 7 per cent.

Within Germany, some of the order slowdown stems from the fact that plants are already so busy with orders that they cannot take on much more work. The order backlog runs for at least six months.



Source: German Mechanical Engineering Association (VDMA)

Exports make up about two-thirds of the sector's total output. Thus the slowdown in the US market, as the weak dollar affects sales and prices there, is making quite a dent in its export performance. Sales to the US, which only overtook France as the industry's biggest customer two years ago, are growing far less rapidly than last year and could even fall in 1987.

In the first six months of 1986, deliveries to the US increased by a still respectable 11 per cent compared with the heady 24 per cent achieved in the whole of 1985. But the slower growth has continued into the second half, leaving the VDMA to conclude that next year could see a decline.

Total exports in the first half were a nominal 6 per cent higher in the first eight months at DM 63bn ($30bn). It is not only the fall in the dollar against the D-mark that is causing concern, though. There are plenty of other worries.

The collapse in energy prices has weakened the purchasing power of the Opec countries, which bought 15 per cent less from German engineering companies in the first half. They account for about 5 per cent of total exports against 11 per cent for the US and 65 per cent for Western Europe.

The high indebtedness of countries such as Mexico, Brazil, Argentina, Egypt and Nigeria was singled out by the VDMA as yet another reason for furrowed brows. So, too, were the consequences of the Chernobyl reactor disaster in the Soviet Union for that part of the industry involved in supplying equipment for nuclear power stations.

But with all these problems, exports had been buoyed up by continued strong demend in Europe, with a 10 per cent rise in export to EEC markets, including a 17 per cent jump in business with France. Sales to the UK, however, the second biggest customer in Europe fell by just over 2 per cent.

Jobs in the mechanical engineering industry, which includes around 2,700 companies, have risen by around 5 per cent so far this year to nearly 1.1m, an encouraging trend in a country where unemployment is still a blot on an otherwise fairly vibrant economy.

Capacity is being highly utilised, with an operating rate for plants of nearly 90 per cent on average. But companies are finding it hard to recruit enough skilled workers to run the increasingly sophisticated and computerised machines. It is a complaint that is being increasingly heard in German industry.

Andrew Fisher

Shipbuilding

Strong mark an extra burden

THE WEST German shipbuilding industry, like those of other coastal nations, is in a state of acute crisis. Since even the Japanese and South Koreans—numbers one and two in the world industry—are bemoaning the state of the industry, the higher cost producers in Europe are finding the going ever more rough.

The German industry ranks as one of the most efficient in Europe in both construction and repair. Recently, the QE2 sailed into Bremerhaven for a costly refit. Other cruise ships have also turned to Germany when their time has come to be smartened up and modernised.

But new shipbuilding orders are few and far between. Thus jobs in the industry have slid alarmingly in recent years and a number of yards have had to close. In the three years to 1985, German shipyards shed 15,000 jobs. The workforce was thus nearly halved in 10 years.

Apart from the weak level of demand, a reflection of the prolonged shipping crisis that followed ambitious over-ordering in the past, the high level of the D-mark has been an extra burden, though Japan has also been contending with a higher yen.

Back in 1984, when the D-mark was much lower, the industry was able to win new orders worth DM 3.2bn, representing nearly 6 per cent of the world market. Last year, orders climbed further to DM 3.8bn, but with a number of ships due for delivery early this year, the outlook was bleak.

Because of the sorry state of the industry, the Bonn Government decided in October to inject some DM 420m into the northern parts of Germany which were suffering from the weakness of shipbuilding and related industries.

The regions affected are Schleswig-Holstein, Lower Saxony, Bremen and Hamburg. These states will also pump a further DM 280m of their own money into their worst-hit areas. Because of the unremitting Asian competition, with China now coming up from behind its neighbouring rivals, and continuing poor demand, about a quarter of the remaining 40,000 jobs in the industry are expected to disappear in the next few years.

Some relief appeared recently, however, in the shape of an order from American President Lines, a leading US operator of container vessels on the Pacific, for three new ships. They will be built at the large Kiel yard of Howaldtswerke-Deutsche Werft (HDW), which is now down to its last three merchant ships.

APL says it chose the German yard because of price, quality and capacity. Thus, ironically, it sems as if the very absence of work was a factor in persuading the company to opt for a German yard and thus virtually guarantee a fairly quick delivery.

As part of the extensive reorganisation that has occurred in the German industry, HDW's operations are now concentrated entirely in Kiel. Blohm und Voss, another shipbuilder, took over all the HDW repair and machine tool operations in Hamburg.

Recent months have brought a string of announcements from yards trying to stave off bankruptcy or reluctantly seeing no alternative. Nobiskrug and Harmstorf are two companies which have virtually given up.

Andrew Fisher

WEST GERMANY'S TOP 10 COMPANIES

Rank 1985	Rank 1984	Company	Sector	Turnover 1985 DMm	Turnover % change over 1984	Employees end 1985	Employees % change over 1984
1	2	Siemens	Electricals	54,616	19.2	348,000	6.1
2	3	VW	Vehicles	52,502	15.0	259.047	8.7
3	4	Daimler Benz	Vehicles	52,409	20.5	231.077	8.7
4	1	Veba	Energy/oil/chemicals	47,523	−2.2	68.689	−10.6
5	6	BASF	Chemicals	46,610	9.4	130.173	12.4
6	5	Bayer	Chemicals	45,926	6.7	176.080	0.8
7	7	Hoechst	Chemicals	42,722	3.1	180.561	1.5
8	8	Thyssen	Steel/engineering	34,784	7.3	127.969	−3.7
9	9	RWE	Energy	28,426	6.2	70.249	−0.2
10	10	Ruhrkohle	Mining	22,515	0.4	133.157	−2.0

Source: Die Zeit.

● Daimler Benz, on full consolidated results, is now Germany's largest company; including AEG, taken over last year, Daimler's 1986 turnover will be close to DM 66bn.

Winners and losers in share price movements

●Winners	Price at 30.12.85 DM	Price at 30.6.86 DM	% change	●Losers	Price at 30.12.85 DM	Price at 30.6.86 DM	% change
Hannover Papier	136.5	230.0	68.5	Kali und Salz	291.0	235.0	−19.2
Conti-Gummi Werke	165.0	271.8	64.7	Aesculap-Werke	483.8	390.0	−19.4
PWA	149.0	227.0	52.3	Rütgerswerke	421.0	335.0	−20.4
Heidelberger Zement	415.0	628.0	51.3	Porsche Vz	1,289.0	1,016.0	−21.2
Behe	159.5	241.0	51.1	Colonia Versicherung	950.0	740.0	−22.1
Zanders	225.0	336.0	49.3	Otavi Minen	135.5	104.8	−22.7
Andreae-Noris Zahn	146.0	200.0	37.0	Preussag	255.0	195.0	−23.5
Grünzweig & Hartmann	124.0	167.0	34.7	Klöckner-Humb. Deutz	310.0	236.0	−23.9
Castella	640.0	851.0	33.0	Rheinmetall Berlin	508.0	384.5	−24.3
Drägerwerk Vz	335.0	441.0	31.6	Mannesmann	283.8	209.0	−26.3

Source: Industrie Magazin.

WEST GERMANY 10

Franz Steinkuhler holds a large nut-cracker given to him as a goodwill gesture by delegates after he was nominated chairman of the German metal workers' union, I. G. Metall

Trade Union Movement

Members openly taking sides

ALONG WITH most governments in trouble with their trade unions, the one in West Germany likes to behave as if its current difficulties are with the union leadership only and not with the mass of union members who it not surprisingly depicts as reasonable people who want nothing more than a quiet, secure life.

Chancellor Helmut Kohl's Government, in fact, often reminds its opponents that more than half the country's trade union members voted for it in the last election. It is a fair warning but one that the unions have decided not to listen to. There is a general election in January 1987 and for the first time ever the West German trade union movement is openly taking sides.

Both individual unions and the umbrella body, the DGB, which represents some 7m workers, are strongly supporting the opposition Social Democrats (SPD) in their bid to unseat Mr Kohl and his coalition.

Mr Ernst Breit, the DGB chairman, called on union members late last month to "vote for candidates who clearly pursue policies beneficial to workers" and their families. He left his audience in Düsseldorf in no doubt that he was talking about the SPD.

The Christian Democrat (CDU)-led Government, he said, had failed to create jobs, had undermined workers rights and was attacking the social security system. To this, Mr Heiner Geissler, secretary general of the CDU, remarks simply that the DGB is being very silly because it is backing an almost certain loser in the SPD. This may be true, but it does not bury the fact that a fundamental change has come over the once calm and fruitful relationship between German unions, employers and governments of whatever colour.

Where there was consensus there seems, since the Kohl Government came to power in late 1982, to be conflict. The unions feel that the Government has decided to undo many of the "rights" which they won in the post-war period—equal representation on the supervisory boards of big companies and liberal strike laws.

Indeed, the Government has made it more difficult to strike and be paid welfare benefit at the same time and there are forces in the coalition clamouring for agreements allowing for equal decision-making to be discontinued.

The Government is also under attack for failing to bring down unemployment below 2m and for encouraging employment by making it easier for employers to hire and fire. But Mr Kohl and his ministers have been handed in the past few months the perfect club with which to beat back the union's political attack in the run-up to January—the sale, for DM 1 in September, of the union-owned Neue Heimat property group.

Neue Heimat is the biggest home-owner in western Europe and by the time the unions sold its 190,000 homes it had liabilities of DM 17bn.

The Government has since been able to meet every attack by incensed union officials with the mere reference to Neue Heimat and the thousands of worker-tenants it sold into the private sector without a word of consultation. The unions are not popular in Germany right now and not even the SPD is entirely comfortable with their "promises" of support.

But Neue Heimat will eventually go away. The union leadership has taken a leaf out of Mr Kohl's book and is trying to ignore a troublesome issue until it disappears. This always works for the Chancellor and it will eventually leave the Government still facing sour unions.

The test will come early next year when the country's biggest union, the metalworker's body I. G. Metall, revives its campaign for the German working week to be cut to 35 hours. I. G. Metall led a seven-week strike in the summer of 1984 for a shorter working week that cirppled the car industry and achieved a cut from 40 hours to an average 38.5 hours.

That strike did enduring damage to relations with the Government and with employers. As a result, Bonn has tightened up the strike laws but has, in the process, united the unions around the concept of shorter working time as the most effective way to create new jobs in a way that they never were during the 1984 strike.

What happens now will be a test of whether the union leadership, especially that of I. G. Metall, can carry its members with it into what could erupt into another bitter dispute or whether the Government is right about union membership and leadership moving in separate orbits.

A great deal will fall upon the shoulders of one Franz Steinkühler, 49, newly-elected leader of I. G. Metall and an experienced strike leader. He is passionate about the 35-hour week, though some of his colleagues fear that his willingness to discuss flexible working practices within that time limit might lead him to compromise with employers.

Steinkühler will, inevitably, compromise. As he says, that is what negotiating is about but the many business leaders who dismiss him as an armchair radical are probably wrong. He is charismatic and popular and has absolutely nothing to lose by pushing both employers and Government to their limits.

Peter Bruce

PROFILE: ERNST BREIT, head of the Trade Union Federation

Ernst Breit: haunted once more by the Neue Heimat affair

Problems will not go away

ERNST BREIT used to support nuclear power—just.

"As much as we really need," he used to say, "but for God's sake no more." That was before Chernobyl changed everything.

At the end of last May, as head of the German Trade Union Federation (DGB), he brought the 17 unions and 7m members under the DGB umbrella to a dramatic and not altogether painless decision—to press Bonn and whoever is in power there to get West Germany out of nuclear power as soon as possible.

That, of course, is an elastic demand but it meant taking along some of the most conservative unions in Western Europe including a big one whose members work in nuclear power stations. Breit was not forced to push for an abandonment of previous DGB policy—in the four years since he was elected president he has undergone a dramatic political metamorphosis.

He was a popular compromise candidate in 1982 when the unions, hammered by the revelation of corruption amongst their high officials and the DGB-owned housing group, Neue Heimat, needed someone above moral reproach to be their titular head.

A Social Democrat (SPD) supporter and former white collar postal worker, Breit, now 62, quickly had to acclimatise himself to a new Government—conservative and hostile to what it called the "inflexibilities" of the labour market."

He was, like many leaders of individual unions (who are the real power brokers in the DGB) left standing by the country's biggest union, the I.G. Metall, when it led a seven-week strike for a shorter working week in 1984 but as the Government and employers have tried to respond with even tougher measures to that strike so Breit has come out of his shell and emerged as a real leader.

It is hard to be rude to Chancellor Helmut Kohl, the thickness of whose skin would be the envy of any politician—but Breit has managed to do it a number of times in front of the television cameras, proving that simply to hesitate before shaking hands on camera is a devastating rebuff. The DGB unions voted him into office in May for another four years by a huge majority.

Tall, and with a slight stoop, as he has become (relatively) radicalised he has become even more laconic. Soon after the Kohl Government came to power the new Labour Minister, Mr Norbert Blüm, suggested airily that the unions might consider a six-month wage freeze.

Breit, a stickler for detail at all times, immediately responded on hearing of the request by asking, with the hint of a sneer, how many jobs such a move would create and said no more.

Perhaps because of his wise and moderate air, what Breit does best is crest the illusion that the unions in the DGB are unified, particularly about planned new efforts to cut the working week. The better he gets at it, the less of an illusion it becomes because the bad feeling that arose in 1984 between union leaders that supported the shorter hours strike and those that publicy opposed it seems to have been buried. And it is very hard for the Government to depict Breit as a demon.

Or at least it has been until now. Just as he leads the unions into an election on the side of one party (the SDP) for the first time, the Neue Heimat affair has come back to haunt him and the DGB. Allegations of corruption in the way profits from Neue Heimat were used run very deep and it is not certain yet that Breit will escape unscathed.

Sheila Jones

The leadership of the West German Social Democratic Party (SPD) was confirmed at the party congress earlier this year. Former Chancellor Willy Brandt (right) was re-elected as chairman for a further two years, while chancellorship candidate Johannes Rau (centre) and parliamentary leader, Hans-Jochen Vogel (left) were re-affirmed as joint deputy chairmen

Agriculture

Small farmers flex their voting muscle

AS West Germany slides towards a general election in January next year, it must be very tempting for the nation's farmers to find a pressing reason why they need to be graced with yet another subsidy. They do very well already.

About 42 per cent of Germany's 758,300 farms are run by part time farmers but of those full timers, 70 per cent pay no more than DM 100 in income tax a year. The state and the European Community subsidise each German farm with an average DM 48,000 a year, roughly DM 2,600 per hectare.

German farms are, on the whole, very small and therefore not very profitable—especially those in the south, Bavaria, and Baden Württenberg, where Federal and local government policies have for years been to make it as attractive as possible for families to stay on the land.

That remains fundamental to Chancellor Helmut Kohl's coalition but it means throwing money at the farmers who have learned that in election years politicians become even more generous.

This year started off particularly well for the farmers when at the beginning of March the ruling Christian Democrat (CDU)—Mr Kohl's party government in the northern state of Schleswig Holstein suffered major losses in communal elections.

One of the reason was thought to have been the failure of farmers to go to the polls. Abstention is the German farmer's main weapon against conservative governments. When Social Democrats are in power they go to the polls and usually vote against them.

Alarm bells soon began to ring because there were state elections scheduled in Lower Saxony and Bavaria before the General Election. Also, the farm price negotiations in April were looming. Bonn knew it would have its work cut out to prevent any prices being cut and the devaluation of the French Franc in the European Monetary System (EMS) had made German farmers very anxious about being at a potential price disadvantage.

Then the Chernobyl nuclear reactor went out of control and sent a radioactive cloud scudding over Europe, terrifying German farmers (and the general public) who for a while found it impossible to sell any produce for fear it might have been contaminated.

The net result of all this is that Bonn has spent virtually the entire year making promises of more money to farmers, finding, despite an apparent commitment to fiscal discipline, around DM 1bn in aid to calm the farmers down.

West Germany may be the most powerful and richest economy in Europe but that has not stopped more than half its 11m hectares of farmland from being declared "disadvantaged areas," and therefore requiring substantial Federal and Community aid.

Farmers make up 10 per cent of the national vote, which means that German politicians are able to defend apparent contradictions like these with absolutely straight faces. And even then, the farmers are an ungrateful lot.

The wholesale vegetable market in Hamburg. Meanwhile, the nations farmers and food producers are tempted to seek further subsidies as the general election approaches.

No-one looks after them with greater enthusiasm than Mr Franz Josef Strauss, the Bavarian Premier—he even fought for and won the right to place a member of his own party, Mr Ignaz Kiechle, in Mr Kohl's Cabinet as Agriculture Minister—but it turns out that Mr Strauss's biggest losses in October's Bavarian election were in the rural areas, which voted in alarmingly high proportions for the far right-wing Republican Party.

In a two party political system, a 10 per cent voting block might be ignorable. With four main parties fighting in January, and the margins between the biggest ones measurable only in single percentage points, and the smaller ones living within one or two points each of the 5 per cent hurdle they need to stay in Parliament and perhaps make or break coalitions, the farmers know they are very powerful.

Peter Bruce

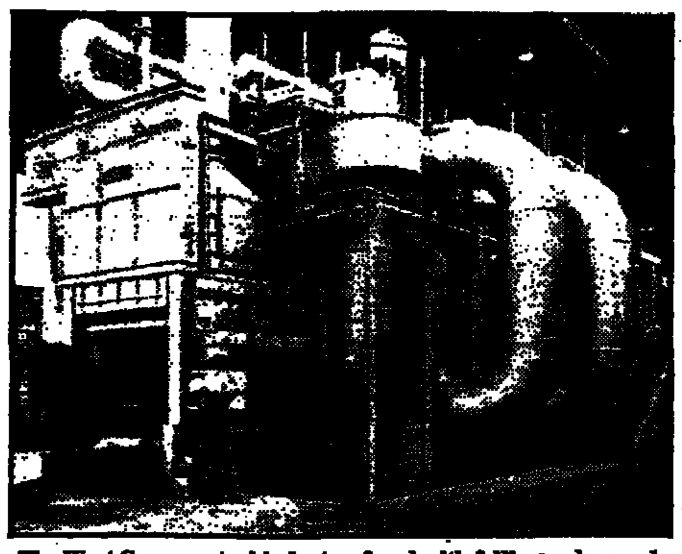
The Steel Industry

Concern over EEC quotas policy

BY NOW West Germany's steelmakers are well aware of the fact that after a brief respite from the doldrums in 1984 and 1985 their industry is facing yet another threat to profitability.

In the first eight months of 1986, deliveries from German steelworks fell 4 per cent and incoming orders were down 8 per cent. Overall, production will fall to barely 37.5m tonnes this year from 40.5m tonnes in 1985. As the D-mark goes from strength to strength steel imports into the country have so far this year risen 13 per cent—with imports from outside the European Community rising 25 per cent—and now satisfy some 40 per cent of domestic steel demand.

"The German market," cried one newspaper recently, "has once again become a dumping ground for subsidised imported steel." This is probably true, but a 40 per cent import penetration of a home market is not that unusual in the EEC.



The West German steel industry: faced with falling orders and further threats to profitability.

What worries producers more than the present level of imports is the threat that European Commission, the EECs administrative organ, will lift production quotas on a range of key so-called long products next year. The German fear is that producers more heavily subsidised than they will simply pour subsidy into overproduction of these steels and ruin an already delicate market in them.

Already this year two steel price rises have failed to take hold properly in the Community and as the D-mark appreciates not only against its neighbours, chiefly France, but also against the US dollar (a complete reversal of the situation two years ago which, understandably, was heavily exploited through a dramatic rise in sales to the US), a large scale liberalisation of the European market could have grim consequences.

German producers, notably Thyssen, Krupp, Hoesch and Klöckner are different from the rest of their European competition in that they are in the private sector and not nearly as highly subsidised as, say, the French and Italian industries. Nevertheless, there has been help from the state in the past, which is now giving rise to yet another headache for them as they head for the wrong end of their business cycle.

Bonn is demanding the repayment from the steel industry of some DM 1.8bn it has handed out in subsidy designed to help the industry restructure and trim itself down to match capacity with the requirements of the market. The producers have been trying to persuade the Government to hold back on these demands and point out often that competitors have not been asked by their governments to pay back aid.

As that dispute runs, with the Finance Ministry in Bonn anxious for any funds which would help it manage its tight fiscal constraints, steel producers are also complaining that the state-owned railway, the Bundesbahn, discriminates against them when carrying steel inland.

It is said to cost around DM 12 to transport by rail a tonne of steel from Antwerp in Belgium to Mannheim and around DM 21 to carry the same amount from Duisburg in the Ruhr to Mannheim even though the journey is considerably shorter. The Bundesbahn, say producers, is exploiting its domestic rail monopoly.

A further concern for the major producers is the plight of Arbed Saarstahl, a producer of long products but one with a colourful recent history of losses and debt. Saarstahl alone has been subsidised to the tune of DM 3bn. Earlier this year though the Bonn and the Saar state government appeared to have reached agreement on scrapping the producers' debt.

The Saar Government, in effect, took Saarstahl over and the idea then was to gradually merge it with another nearby steelmarker, Dillinger, which is owned by the nationalised French group, Sacilor. Dillinger were to have begun placing their own men in Saarstahl's management but the process appears to have run into trouble. Sacilor is said to be showing little interest in Saarstahl as it struggles with its own problems.

It may thus fall to the big German producers to revive proposals under which they might have been prepared a year ago to buy Saarstahl. But a year ago they were probably feeling richer than they do now.

Peter Bruce

Profile: The Facsimile Market

Relaxation boosts sales

THE TELECOMMUNICATIONS equipment market in West Germany is like no other. It can, for years, ignore perfectly sensible and not even very sophisticated technologies and then suddenly go off at a tangent.

This has just happened to the facsimile machine. Some 25,000 are expected to be sold this year, more than double the 1985 figure which, in itself, was a considerable improvement on 1984.

There are only around 50,000 "fax" machines in West Germany anyway, a measly 2 per cent of the world market. But with German businesses having developed a seemingly large appetite for the devices, market experts are predicting substantial price falls from the present range of between DM 7,500 and DM 15,000 for a machine.

Two things appear to account for this sudden surge. First, the so-called "group 3" machines now on the German market are a much more attractive product, being both smaller, often cheaper, and much quicker than the bulky old devices that were being foisted on customers five years ago.

The second and most important reason for the surge in "fax" sales though has been a dramatic change in the marketing climate. The Bundespost, the state-owned telecommunications monopoly which has a poor marketing reputation, is beginning to relax its hold on equipment that can be plugged into its lines.

The Bundespost leases out fax machines and used to reserve 20 per cent of the West German market for itself. But as it comes under pressure to deregulate, the monopoly has shown itself willing to surrender fringe markets like fax and modems. Officials say the Bundespost now has only 10 per cent of fax installations.

This has encouraged producers of the machines, including Panasonic, Canon, Toshiba and, through West German agents like the Hoechst chemicals group, Ricoh (the only non-Japanese make on the market is French) to heavily increase their sales efforts.

The sales have come so fast that there is now a gap of nearly 20,000 units between "expert" estimates of how many machines there are in the country and the Bundespost's official tally at the end of September of around 33,000.

A black "fax" market of sorts has developed in West Germany, with some buyers not reporting, as they are supposed to, the connection of machines to the Bundespost and saving on connection fees. One recent buyer tells, on the other hand, of being offered imported machines at discounts of up to 50 per cent.

If the Bundespost is concerned at losing rental and connection fees it shows little sign of doing anything about it. Because it is already partly committed to liberalising markets for other equipment at the end of its lines, to clamp down too heavily on the fax machine market would probably be bad politics.

Peter Bruce

The Advertising Industry

Print media sets the pace

THE West German advertising industry is like a fat man in a tight suit. It has no intention of losing weight, in spite of its restrictive garb. In fact, all the signs point to rapid expansion, at least in some areas.

Unlike its counterparts in most of Western Europe and in the US, the German advertising industry is heavily weighted towards the print media. The country's daily and Sunday newspapers last year grabbed more than half of the industry's DM 15.53bn market, while television advertising accounted for less than a tenth—fractionally more than magazines and considerably less than the direct mailing sector.

The market has been shaped by history, not demand. The decentralisation of the German broadcasting network after the war paved the way for a regional television system that has proved highly resistant to change and is subject to the differing regulations of the individual *Länder*.

In addition, a post-war fear of media manipulation has produced what the advertising industry sees as heavy-handed political regulation.

While print advertising is relatively free from regulation, a forest of rules, most of them relating to quantity, governs television. The least popular of those rules, known in the trade as the "20-minute corset," restricts television advertising to 20 minutes each day.

All TV adverts must be crammed in between 6 pm and 8 pm. None are allowed on Sundays or on national holidays. The adverts are shown in blocks of five minutes between programmes, and are often listed in TV guides.

"It's not even a break, it's a programme," complains Mr Willi Schalk, head of TEAM-BBDO, West Germany's biggest advertising agency. "You can see it in your programme guide. From 6.40 pm until 6.45 pm, there's going to be five minutes of advertising. You can walk away and do something useful: walk the dog, get a bottle of beer, make a cup of tea.

"The only reason you would carry on sitting there is that either you are sick and can't walk, or you are too lazy to get up, or you have a special interest in advertising, or you are a kid. Children tend to watch television adverts with as much interest as they watch the programmes."

Mr Schalk believes the restrictions have not only stifled the development of television advertising in Germany, producing a poorer quality product, but have also hampered the growth of the advertising market as a whole.

"Wherever you have free and unlimited television advertising, not only is the percentage of total advertising spent on television significantly higher, but also, advertising in total, as a percentage of GNP, is higher," he says.

"The fundamental question is, should television be free enterprise and competitive, or not? Television should be as free as print. In print we have completely free enterprise and it shows, both in terms of the quantity and the quality of the market."

Mr Schalk, who divides his time between New York and Düsseldorf, admits that the frequency of television adverts and "messages from our sponsor" mid-programme, can be irritating in the US but argues that the gap in relative spending on advertising between the two countries (the equivalent of around 2.5 per cent of GNP in the US this year compared with 0.8 per cent in Germany) proves that the German industry is nowhere near its full market potential.

He believes, though, that the West German industry, which is "going to see significant changes by the end of the decade" with the growth of private television, will have to proceed with caution.

"We need to guide the process a bit. We can't go from complete regulation and control to absolute freedom overnight, and we won't," he adds.

The market has already begun to change, "and gets more confusing every day. I think we will have a somewhat chaotic development; two steps forward and one step backward. There will be a lot of chaos on the way and disappointment. But it will change."

The standard of television advertising in West Germany now is probably comparable with the best of American TV commercials a decade or so ago, while newspaper and magazine adverts rival the best in the world. The industry itself admits that its televised product has a long way to go.

German television adverts need to be "more entertaining, and less boring," says Mr Schalk. "In future, when commercials are competing with programmes, instead of with each other in five minute blocks, the task will be to hold the viewer's attention in between programmes for, say, a 90 second commercial break."

Meanwhile, the local industry is confident it will be able to take advantage, without being squeezed out by the global multinatonals, of the growth in air space and audience figures provided by cable and satellite TV—once the increasing number of private television channels in Germany forces deregulation.

The two small and struggling private stations currently broadcasting in parts of Germany, RTL and SAT-1, are free of the restrictions imposed on the country's public corporations.

The advertising industry reckons that if GNP in Germany grows by 3 per cent this year, it can bank on a 6 per cent rise in overall advertising turnover (compared with a rise of 2.8 per cent in 1985), taking the figure for 1986 above DM 6.5bn.

The rate of growth should be much more rapid over the next five years or so, before flattening out at the higher level, with the television sector taking the lion's share of the increase.

The print sector is unlikely to suffer though, if the industry's prediction of a considerably bigger advertising cake, after deregulation, is fulfilled.

Radio advertising, which gamely clings to less than 5 per cent of the market might enjoy some knock-on benefits from the deregulation of television too.

As for any national aversion to a more commercialised world, Mr Schalk believes that opinions in Germany are changing, too. Recently he addressed a group of 400 students at Cologne University on the future of television in West Germany and what it meant for advertising. He showed "quite a vast number" of commercials from the US, Australia, Britain and New Zealand. At the end of an hour-long talk, Mr Schalk asked whether they wanted to see more commercials or have a question and answer session. They chose the commercials.

"When we talked afterwards there was not one critical remark about advertising ... the last time I spoke at a similar event was eight or nine years ago in Munster, and they really grilled me. Students then were more than sceptical, they were almost aggressively against advertising and its role. That's completely changed," he says.

The latest cinema craze in West Germany is to watch an hour-and-a-half's worth of adverts strung together to provide an evening's entertainment. The latest film releases are now competing in cinemas all over the country with the Cannes Reels; showcase collections of the best of television adverts from all over the world. And people are paying—full cinema rates—to see them.

Sheila Jones

Top 20 advertising agencies

Ranking in 1985

	Agency	Turnover in DM m	% change over 1984
1	Team BBDO	481.0	+ 6.9
2	Lintas: Deutschland	444.6	+ 2.2
3	J. Walter Thompson	434.6	+ 0.1
4	McCann-Erickson	420.2	+ 4.7
5	Ogilvy & Mather	323.7	+24.1
6	Grey Düsseldorf	284.8	+ 8.7
7	Young & Rubicam	276.8	+ 4.4
8	Doyle Dane Bernbach	236.1	+ 2.5
9	R. W. Eggert	214.1	+24.5
10	Wilkens Ayer	204.3	—
11	DMM/Adwentig & BABB	202.1	
12	Saatchi & Saatchi Compton	198.1	+35.2
13	Lürzer Conrad & Leo Burnett	173.6	+10.2
14	GGK	170.0	+ 2.4
15	Publicis Intermarco & Partner	142.1	+ 5.1
16	Heye Needham & Partner	137.3	+17.7
17	Ted Bates	131.0	+ 6.7
18	Scholz & Friends	126.1	+16.8
19	TBWA	126.0	+19.7
20	Baums Mang & Zimmermann	121.7	+14.4

Source: Industriemagazin

'Restrictions have not only stifled the development of television advertising in West Germany, producing a poorer-quality product, but have also hampered the growth of the advertising market as a whole.'

Broadcasting Media

Cable projects under fire

MOST WEST GERMANS who tried to follow television coverage of tennis star Boris Becker's progress through the US Open a few months ago would have been puzzled, infuriated even, not to find it on the only two channels that reach the entire country.

This is because it was being shown on SAT-1, a new, and not altogether successful, cable network which, along with a Luxemburg-West German joint venture, RTL Plus, forms the vanguard of a much promised but very hesitant revolution in Germany's media.

They are the first privately-owned television operations to operate from West German soil since the Allies reformed radically restructured broadcasting in the country after the war.

The idea then was to decentralise control of broadcasting and so limit the possibility of a central system being used to take propaganda to the nation. Responsibility for making laws regulating broadcasting was placed with the country's individual states.

The states, *Lander*, each have their own (or in the case of smaller ones they sometimes share) radio corporation, usually with three programmes, and a television authority which broadcasts a regional programme and contributes material to ARD, First German Television, which they collectively own. The states also finance a second public TV channel, ZDF.

The reason that Boris Becker at the US Open was to be found only on cable has a largely political background—for years, the conservative West German political parties have believed that the public broadcasting networks are fundamentally left-wing. They still do believe this, but tampering with the broadcasting media, or encouraging competition to it, has been a tricky thing to do in the post-Nazi era.

The Federal Government is perfectly within its rights though to lay cable, build transmitters and launch satellites. When Chancellor Helmut Kohl came to power in late 1982 West Germany lagged well behind in cable and other digital networks and, citing this, his controversial Posts Minister, Mr Christian Schwarz-Schilling, quickly began to implement a far-reaching and very expensive programme to "cable-up" the country and so present the states with at least a technical *fait accompli*.

This programme, now costing about DM 1.5bn a year, is regularly assailed by the Government's own auditors as reckless and "conceptless"—there being little chance of it ever paying for itself—but some 5m households are now capable of getting cable programmes although the majority do not because in an effort to pay for the programme, connection charges have rocketed.

Having put down the cable though—and continuing to do so at about 2m households a year—the Government was then able to turn to the states controlled by its own people and encourage them to make laws in their states (like Bavaria, Baden-Wurttemberg, Rheinland Palatinate and Lower Saxony) to accommodate privately owned cable networks.

The effects of a much liberalised broadcasting regime in West Germany are difficult to predict. So far, the ARD and ZDF have shown little inclination to alter their programming in the face of much racier, much more trivial, but much less tedious competition. Viewers are not demanding change either.

Whether more media also means more media concerns is also questionable. Bertelsmann, the giant publishing house, has a 40 per cent stake in RTL Plus and the conservative Axel Springer group has a big stake in SAT-1. With both channels losing money, there is already talk of them merging, meaning an even greater concentration of media power with which the SPD will just have to learn to live.

Peter Bruce

FT correspondents based in West Germany give their impressions of three important cities.

Divided city prepares to celebrate

BERLIN

ALONG WITH a zoo in each half of the divided city as well as two state opera houses and two city governments, Berlin is now gearing up for dual celebrations next year of its 750th anniversary.

Berliners hardly dare to hope that the unprecedented festivities on both sides of the wall will not be repeated when the city marks its 800th anniversary.

A warm rain of money has fallen on both parts of Berlin from their respective benefactors—the West German and East German governments. The most conspicuous outcome is that the grimy facades of thousands of neglected buildings have been cleaned in both halves of the city.

In the competition to restore historical buildings destroyed in the last war, East Berlin has a definite advantage as it straddles the heart of old Berlin. Apart from Unter den Linden Boulevard, which was restored in the post-war years, ugly prefabricated apartment buildings rose over the flat centre of pre-war Berlin. The authorities have tried to do amends by partially restoring the oldest corner of Berlin around the Nikolaikirche, which is to become a city museum.

East Berlin's third luxury hotel is nearing completion in the Friedrichstrasse, pre-war Berlin's throbbing entertainment centre, which is to be rebuilt as a shopping street. Westerners entering East Berlin at Checkpoint Charlie in Friedrichstrasse will no longer be transported, as if in a time machine, back to the early 1950s.

In addition to erecting plush hotels for westerners, East Berlin is also building flats at breakneck speed for its expanding population. By 1990, East Berlin will have 1.3m inhabitants (compared with a shrinking 1.9m in West Berlin). The East German authorities have pledged that by 1990 every adult East Berliner will have his own apartment.

In the process, however, towns and cities throughout East Germany will have been deprived of 200,000 building workers annually after re-assignment to the capital.

A recent remark by Neues Deutschland, the main East German Communist Party newspaper, caused even the most hardened of idiologists to cringe: "All in all, Berlin is experiencing the best years in its history," the party daily paper proclaimed.

Despite the material benefits of life in East Berlin, compared with the rest of East Germany, they are far outweighed by the physical and psychological drawbacks of living close to the East-West dividing line without being able to cross it. East Berlin physicians speak of a high incidence of Wall-induced neuroses in the populace.

East Germans who come to the capital to make a career in government or the arts discover soon enough that the political pressures are far greater than in the provinces. The further one travels in East Germany, away from East Berlin, the more normal life becomes.

Undoubtedly, some of the tension will be relieved by the growing number of East Berliners who are being allowed to visit relatives and friends in the West. At the same time, however, this Westward trickle of visitors increases the frustration of the majority of East Berliners who are not permitted to visit the West.

The main problem in West Berlin is not one of confinement but rather that of halting a economic decline. Granted, the city has attracted a growing number of high tech companies of which East Berlin's planners can only dream. But West Berlin's unemployment rate has jumped to 10.1 per cent, 2 per cent higher than in West Germany.

At the same time, manufacturers in West Berlin complain of a shortage of skilled workers whom they have to lure from West Germany.

In order to help celebrate Berlin's 750th anniversary, the heads of state of the three allied powers represented in West Berlin—Queen Elizabeth II, President Francois Mitterrand and President Reagan—are to visit the city. East Germany, for its part, caused maximum consternation in the West by inviting the Christian Democrat and Governing Mayor of West Berlin, Mr Eberhard Diepgen, to the main East Berlin ceremony to mark Berlin's founding. The East German leader, Mr Erich Honecker, cleverly extended the invitation in his role as chairman of the preparatory committee for the anniversary—and not as president of East Germany.

The self-assured young West Berlin mayor, whose administration has been wracked by embarrassing bribery scandals, quickly spread word that he would accept the invitation after consulting Bonn and the Western allies. Mr Diepgen is eager to launch a new phase of Ostpolitik from Berlin in order to take the wind out of the sails of the opposition Social Democrats who want to go a good deal further.

The Western allies, who have the final word in all matters pertaining to West Berlin, were plainly miffed by Mr Diepgen's enthusiasm. They let it be known that his acceptance of the invitation might be regarded as Western recognition that East Berlin was the capital of East Germany. This, however, would undermine the allied position of a continued four power responsibility for all of Berlin.

The allied reservations were expressed by President Mitterrand during Mr Diepgen's visit to Paris earlier this month when the president spoke of the need to carefully examine the "possibilities and dangers" of attending the East Berlin ceremony.

Much as they might like to both Berlins are unable to avoid continual confrontation with the recent traumatic past. In West Berlin, city officials belatedly decided to build a monument (on the razed site of former Gestapo headquarters) to the victims of the Nazi secret police. There was acute embarrassment, however, when excavators hit actual remains of the building—its white-tiled basement torture rooms. In East Berlin, a decision was reached to rebuild the gutted main Synagogue, although only a few hundred mainly elderly Jews remained in the East.

West Berlin's 6,000-member Jewish community was bolstered by several thousand Soviet Jews who chose to live in Berlin in the early 1980s, rather than move to Israel. Sixty-six per cent of West Berliners who responded to a recent survey said they were in favour of returning a street in the borough of Spandau to its original name, Judenstrasse (Jew's Street), which had been changed under the Nazis.

Interestingly, the presence of Hitler's deputy, Rudolf Hess, in nearby Spandau prison is largely ignored by West Berliners.

West Berlin's Justice Chief caused a stir last month by noting that the books were now "regrettably" closed on another infamous Nazi institution, the People's Court.

The court handed down 5,243 death sentences, mainly to German opponents of the regime such as the men involved in the 1944 plot to kill Hitler. None of the judges ever received binding sentences for their crimes—and the last case, against a 77-year-old former state prosecutor, was recently dropped for lack of evidence that he acted out of "base motives."

Leslie Colitt

Refugees from the Middle East, India and Pakistan line up at the Central Office for Asylum in West Berlin following the arrival recently via East Berlin's Schoenefeld airport of more than 1,000 asylum-seekers. East Germany announced in September that it would stop issuing transit visas unless refugees had entry permits for their final destinations.

'Boring' capital's hidden charms

BONN

IT IS not fashionable to like Bonn—"a city where politicians, officials, journalists—and, probably, also spies—are herded into grey buildings in a grey landscape," says our correspondent, Peter Bruce, who gives here his own view of the city.

IT HAS become almost a ritual for new foreign and even German correspondents based here to write at least once during their tenure a "snide" article about it being Europe's smallest and most boring capital, how the best thing about it is the train to Munich and how it is so quiet at night they fold away the sidewalks.

I like Bonn, though it suffers, like every West German city, from the ludicrous practice of closing every shop everywhere at exactly 6.30 in the evening—but its charms, once one has overcome the embarrassment of being posted here, are seductive.

They have nothing to do with "culture." I have never been to the opera, which they say can be very good. Whole orchestras, here by virtue of the Government paying millions in subsidy to make the capital a centre of the arts, have passed me by. I know where Beethoven's house is, but have never been inside.

The key factor about Bonn is its scale. It is a human place. The drive to work from Beuel, on the "wrong" side of the Rhine, takes 10 minutes. A rather disturbing bit of industry, a cement factory on my side of the river but a long way further up, appears to have closed because of the German building industry slump and our most successful industries now seem to be the Haribo sweet factory and the local flag-making plant.

Working here is easy. Ministries are accessible and the people in them overwhelmingly friendly. Lunch in either Robichon's or "Luigi's" (properly known as the Isola d'Ischia) means eating, for very little money, probably the best Italian food outside the mother country. Chancellor Kohl is said to descend on Robichon's every now and again, but I cannot confirm this.

In the evening a dozen or so small, crowded pubs in and around Poppelsdorf make better halfway houses than anything I ever found in London. Besides, the beer is better in Bonn and it is amazing how quickly one comes around to the German view that beer with additives in it should never be allowed to enter the country.

Home in Beuel is on the banks of the Rhine, an almost fairytale stream that is never dull to look at, and for the price of a small rented flat in less attractive areas of Islington or Wandsworth I found a huge apartment with a roof terrace and a bathroom whose tiled floor gets warm in the winter.

I share Bonn with about 300,000 other people. Many of them live in a suburb called Bad Godesberg to the south and which still likes to think of itself as a separate city. Bad Godesberg is where many of the government people and diplomats live, which is probably appropriate because it is said that, when the Romans ran this part of the world, they made it a penal colony.

There are, thankfully, parts of Bonn (most of it, in fact, including Beuel) which have nothing to do with Government, which was imposed on them after the war. Very ordinary people live in the Altstadt and Tannenbusch and Duisdorf and Endenich and although they are probably secretly delighted now at living in a capital, they affect a healthy disdain for all things official. In fact, only the Government quarter, on the river and vaguely between Bonn centre and Bad Godesberg, lacks any character.

Here, politicians, officials, journalists, and, probably, spies, are herded together in grey buildings in a grey landscape. The only restaurant within walking distance is about as exciting inside as a car wash. Perhaps it will get better.

Unlike places like London and Paris, Bonn forces one to get out into the country. To write intelligently about industry, culture and even politics a great deal of travel is necessary because the country is so heavily decentralised.

This is good, too, because it means simply having now and then to go to places like Munich and Hamburg (and Schweinfurt and Mannheim). For those weekends when the sheer peacefulness of Bonn becomes oppressive, Amsterdam and Brussels are two hours drive away, Cologne is 20 minutes by car, but it is over-rated.

I like Bonn. There are only a few tall buildings. There are so many police in it that crime, for a city even of its size, is very light. The airport is a 20 minute drive away too but I've never heard an aircraft landing or taking off.

Bonn can be very hot and sticky, but one of the myths about this place is that its climate makes you tired. That's rubbish. The beer makes you tired. The climate makes you drink.

Peter Bruce

This, too, is the West German capital. Medieval houses in the suburb of Muffendorf.

Drab area spruced up

FRANKFURT

FRANKFURT has never been anyone's idea of a dream place in which to live. A few years ago, it was seen as an ugly down-at-heel city, beset with urban problems and possessing few redeeming features.

Not any longer. The city has smartened itself up—and gone heavily into debt in theprocess—to become an attractive, if not exacty beautiful, part of Germany. So much so that it came top of the list in a recent study carried out for the European Commission.

What put it there? And how could once dowdy and utilitarian Frankfurt presume to outrank even Munich, the southern city which stands for many people as the ultimate combination of urban charm, fun, culture and, of course, wealth?

Frankfurt's position on the list was determined on the basis of four measures used by researchers atthe University of Reading to form a so-called problem indicator. These were: income per head, unemployment, net migration, and the supply of hotel rooms. The index was measured against population changes.

The first 20 of the 103 EEC cities included no less than 11 in West Germany, including Bonn, Duesseldorf, and Stuttgart. The bottom 20 had none. But the study concluded that only five German cities, including Frankfurt, had fewer problems than in 1971.

Though it is an architectural mishmash, having been rebuilt too hastily after the war, Frankfurt now has an imposing 20th-century skyline. The big banks' skyscrapers vie for attention, ranging from the uninspired concrete slab of Commerzbank to the shimmeringly beautiful ice blue glass-clad twin towers of Deutsche Bank, the mightiest financial institution in the country.

Certainly, prosperity has done a lot to brighten up the city of Goethe. Trees have been planted to alleviate the concrete tedium of main streets such as Zeil. This and others have been neatly paved over to make bustling pedestrian areas, with a variety of open-air cafe, bar and restaurant life when the weather allows.

Standing proudly in the centre of the city is the Alte Oper, the neo-classic opera house built just over 100 years ago, badly damaged in the last war, and reopened in 1981 after costly renovation. Today, it is a concert hall, operas being performed in a modern hall.

In Frankfurt, you can eat very well and expensively, or fairly well and moderately cheaply. Sachsenhausen, the main night life area in the city's south, near the River Main, is abuzz with activity after dark. More sophisticated are the small bars, some chi'chi and some just pleasant, in the smart Westend office and residential area or near the Alte Oper.

For those with a taste for the sordid, the streets leading from the main station cater for tastes of the flesh as avidly as Hamburg's Reeperbahn, if perhaps a shade less gaudily. A stone's throw from the business area, the Kaiserstrasse and its side streets which make up this red light area are in the shadow of the metallic Dresdner Bank tower, less easy on the eye than Deutsche's headquarters.

With only around 600,000 people, Frankfurt is hardly a metropolis like London, New York, or Tokyo, though it can be mentioned in the same breath as a financial centre. For those who live there, though, its manageable size is an attraction. It is a city that works, with a smoothly efficient, though hardly cheap, underground and suburban railway network, that links the centre with the rolling hills of the Taunus to the north and the woods to the south.

Because it is relatively small—West Berlin, Hamburg, Munich, Cologne and Essen all have more people—Frankfurt is a convenient place in which to do business. Practically everything and everyone is a short walk or taxi ride away.

Even the airport, big, confusing and seemingly with enough shops, bars and restaurants to support a small town, is not too far from town. It offers rapid connections to the rest of Germany, as well as easy access to the rest of the world.

Lying right in the centre of West Germany and northern Europe, Frankfurt is only a few hours away by car or train from major cities like Paris and Milan, or from the coastline of the north and the mountains in the south.

For those unmoved by what Frankfurt has to offer, escape is simple. Yet the city is developing a style of its own, though Robert Kane, the American travel writer, feels it lacks the eclat of, say, Munich or Cologne, having plumped instead for "solid comfort and substantial resources, cultural as well as commercial."

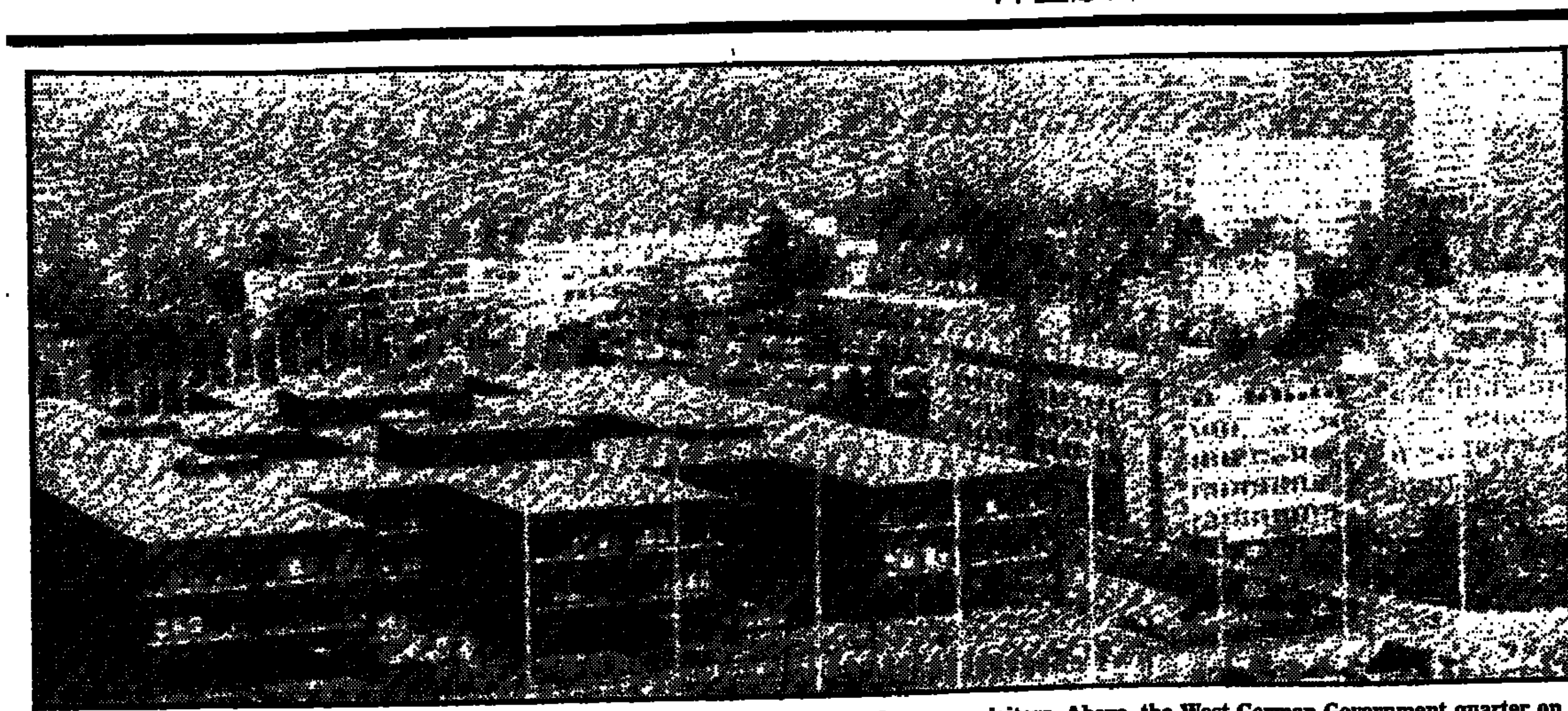
Less hedonistic and showy than Munich, Frankfurt is more of a working, money-conscious, and commercially-minded city. Those of its inhabitants who come from the area, and have not migrated there for business reasons, can occasionally be startlingly abrupt or downright rude and officious.

Robert Kane, portraying Frankfurt in his lively book "Germany at its Best," said Frankfurters themselves were rarely of help in illuminating the best parts and aspects of the city.

"Expatriates say it is the stolid personality of the native Hessian people that has a lot to do with this anything-but-ebullient city," he says.

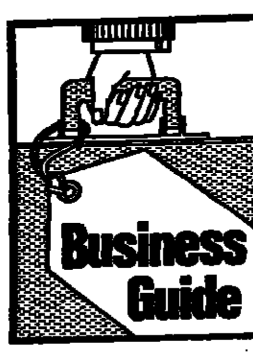
Still, despite its problem of self-image, he felt Frankfurt was worth more attention than many people, especially tourists, believed. As its financial markets develop and Germans continue to export, save and invest with their traditional energy and persistence, the city will certainly remain a vital part of one of the world's richest economies.

Andrew Fisher



Frankfurt, like Bremen and Düsseldorf, tends to be an under-rated city among European visitors. Above, the West German Government quarter on the banks of the Rhine.

Attitudes to visitors are changing



IT IS now all right to mention The War in most of West Germany, although there is a danger that if you do so in or around Munich someone may actually want to discuss it with you in detail.

Some of the most rewarding conversations with West Germans tend to be about the period just after the war, when they were either very young, or, if older, had to go home and try to resume their business life. Ask people if they remember what they did with their first real Deutschemark money they didn't need a wheelbarrow to carry it home.

Many West Germans are now much more confident and more relaxed. One colleague returning here after a four-year absence says the improvement in manners is remarkable. Drivers are more patient and if you cross the road against a red light the chances are that other people waiting to cross will walk with you rather than shout at you.

People seem to take less notice of the authorities, and certainly of the Federal Government. The intense, almost arrogant Chancellorship of Mr Helmut Schmidt has given way to the amiable bumbling of Mr Helmut Kohl, who makes so many refreshingly human errors that a grateful nation is almost certain to vote him back into office in January.

Many West Germans are good at languages, though this does not always mean they will offer to speak English even if they speak it better than you speak German. If you don't speak German, make it clear quickly and try to learn at least to admit it. Say: "Es tut mir leid, aber ich kann kein deutsch," (I'm sorry, but I know no German).

Most of them are probably better at English than French and many have an engaging habit of peppering their German with English or French words in phrases, depending on whom they are talking to.

Luckily, terms like "American Express" or "Visa" seem to be instantly recognisable. The only trouble is that it can often be difficult to use a credit card. Some people might argue logically that the reason the banks have not got round to making credit cards more popular is that they are too busy running the country. Whatever the truth of this, try always to carry traveller's cheques or Eurocheques as well as cash.

Money is a great topic of conversation but because their money is probably worth a lot more than your money be careful about starting what might turn into a sob story. Try to round off your taxi fare to the nearest Mark—or perhaps two if the tip is going to amount to only 10 or 20 pfennig. But do not feel under pressure to do too much tipping in hotels even though the service can sometimes seem excessive.

You will generally find a wide variety of restaurants in the cities and bigger towns, though if you like Indian or English cooking that is more often than not just too bad. Some of the German fare can be intimidating, if only in terms of quantity, but Italian cooking in West Germany is outstandingly good.

Many "French" restaurants serve little more than nouvelle cuisine, for the locals do not yet realise that even the French have largely abandoned this concept in favour of one which means leaving the restaurant no longer feeling hungry. Seafood is almost always good.

Entertainment is usually easy if your tastes run to the classical. There are more than 50 opera houses in the country. Some cities may seem gloomy at night because of the early shop closing hours, but there is also a lot of very funny cabaret about and in most cities there is a cosy dive for jazz fans, so be bold and get out of the hotel in the evening.

When in Munich, stay at the Bayerische Hof, Vier Jahreszeiten or Königshof. Book well ahead because they are often full—or say they are. The Vier Jahreszeiten (Four Seasons) is just across the street from Munich's trendiest drinking spot, Schumanns, which is worth visiting simply to be sized up for a few seconds by the schickeria (smart folk) as you walk in.

Schwabing is to Munich what Greenwich Village is to New York. Try to eat at least once at the Käfer (Beetle) restaurant and at La Mer, which has a superb seafood menu.

In Hamburg it is pleasant to stay at the Vier Jahreszeiten or the Atlantic. Both overlook the inner Alster, the smaller part of the inner-city lake, though neither has a very good restaurant. It is best to try to eat at one of the seafood restaurants on the river Elbe close to the city centre or a bit further west on the Blankensee.

Frankfurt, like Bremen and Düsseldorf, is an underrated city. Though it lacks an outstanding hotel, the Steigenberger, Hessicher Hof and Intercontinental are sound establishments, and there are dozens of interesting restaurants and bars that make for a curiously un-German atmosphere.

Cologne can be dull, a complaint that West Berlin never suffers from. The divided former capital needs no introduction here beyond a suggestion that both business and relaxation are probably done best while staying at the Kempinski.

If you go to Bonn to see Government or Embassy people, try to stay at either the new Hotel Domicil in the centre or on the Rhine at the Dreesen, site of one of Neville Chamberlain's barren meetings with Hitler.

Lufthansa is always a comforting airline to fly with because of its good safety record, but if you can try to avoid buying your flight tickets in West Germany. Lufthansa is one of the great defenders of regulated (that is expensive) air transport in Europe and its fares are clear evidence of this fact.

Peter Bruce

PROFILE: HEINER GEISSLER OF THE CHRISTIAN DEMOCRATIC UNION

In a political hot spot

HEINER GEISSLER, the combative general secretary of the Christian Democratic Union (CDU), arguably occupies the country's highest political office.

From his 10th floor desk in the headquarters of the Christian Democratic Union (CDU) in Bonn, Mr Geissler's battered 56-year-old features look down not only on the much smaller block of the Opposition Social Democratic Party (SPD) but also, a little further to the north, on the squat and sprawling complex of the federal chancellery.

That is very much the way Mr Geissler wants it. In the job as No 2 in the party hierarchy since 1977—Mr Helmut Kohl, the Chancellor, remains the chairman—he is playing a key role in the run-up to the January poll.

Mr Geissler is both the CDU's principal "ideas man" for the next legislature period and also the manager of what promises to be a gruelling and pugnacious election campaign.

But he values greatly the independence of the party machine from the sometimes accident-prone mechanism of the centre-Right coalition government. He has managed with success to move away from the shadow of Mr Kohl to establish himself practically as an equal partner in running the CDU.

And, for the moment at least, assuming another CDU-led victory in January, Mr Geissler says he would rather stay on as full time general secretary rather than return to the government, which he served between 1982 and 1985 in the rather unlikely post of Minister for Youth, Family and Health.

Counting all the state (Land) governments, there are more than 100 Ministers in Germany, says Mr Geissler—"But there is only one general secretary of the CDU."

Mr Geissler looks like a tank commander from a vintage World War Two film with blood all over the set. His face, bearing a collection of contour lines reminiscent of some particularly detailed Ordnance Survey map, can alternatively contort under the thrust of vituperative invective, or compose itself in almost baby-like calm, depending on how the mood and occasion take him.

Three years ago—well before Mr Kohl last month had the idea in an interview with Newsweek of comparing Josef Goebbels, the Nazi propaganda chief to Mr Mikhail Gorbachev—Mr Geissler had the privilege of being accused of Goebbels-like falsehoods by Mr Willy Brandt, the SPD chairman. This was after Mr Geissler compared opponents of medium-range nuclear missile deployment in Germany to the pacifists of the 1930s who, he said, had made Auschwitz possible.

Mr Geissler has not been daunted since then. And, in a land where politicians, at the federal level at least, can be on the colourless side, he can always be relied upon to put spice into newspaper headlines.

Mr Geissler, an enthusiastic jogger and mountain-climber, in his early days was once set to become a Jesuit priest. And he laces his brand of moral politics not only with fire and brimstone poured on the Left but also with a strong dose of wormwood dispensed in the direction of Right-wing dictatorships.

By sticking up for freedom and democracy in the Third World, Mr Geissler not only affirms the "Christian" in CDU but also reassures middle-ground voters who may find disquiet in the solid ties of the Kohl government to South Africa. Mr Geissler has been a particular opponent of Chilean president Augusto Pinochet, giving considerable support to the country's outlawed Christian Democrat party.

Mr Geissler, confident of a 55 per cent-plus majority for the coalition parties in the January poll, says: "Our good spirits are due not only to the favourable economic conditions but also to the disastrous state of the SPD."

He resolutely brackets together the SPD and the Greens—even though Mr Johannes Rau, the SPD's chancellor-candidate, has steadfastly refused any question of alliance with the ecology party.

"An SPD-led government would move West Germany away from Nato," says Geissler, adding that the "Red-Green faction" is spreading "fear, panic and depression" in policies over disarmament and nuclear power.

Mr Geissler says Mr Rau is "one of the political bourgeoisie ... who is not ready to go out and fight for what he believes in." He rules out, however, any question of a pre-election TV debate between Mr Rau and Mr Kohl.

Leaving aside the question marks over Mr Kohl's own television appeal, this is, he says, because such a tussle would "upvalue Rau's status."

He drives home the point: "The election is not a contest between two persons, but an election over policies, between two different directions." And he has not a shadow of a doubt that, for West Germany, the Geissler direction is the right one.

Heiner Geissler: the CDU's principal 'ideas man' who is playing a key role in the approach to the January elections.

David Marsh